*The China Weekly*

# REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

*August 20, 1938*

## Japan's Border Retreat

AN EDITORIAL

★

## Guerillas at Shanghai

BY NYM WALES

★

## Penalties for Japan

BY C. Y. W. MENG

★

## Is Shanghai Doomed?

BY JOHN AHLERS

★

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# In the United States Court for China

IN RE ESTATE OF

ELEANOR MEADE GIBSON,

Deceased.

Cause No. 4344
Special Proceedings No. 2223
NOTICE
Filed at Shanghai, China, August, 1, 1938.
William T. Collins, Clerk.
By E. J. Collins, Dep. Clerk.

Pursuant to an Order of said Court notice is hereby given to all persons having claims against the Estate of Eleanor Meade Gibson, deceased, to present the same with vouchers to the undersigned on or before 7th day of February, 1939, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

George Frederick Shecklen,
Administrator of the Estate of Eleanor Meade Gibson, deceased.

c/o R.C.A. Communications,
Room No. 202, Sassoon House,
Nanking Road, Shanghai.

Shanghai, China.

# What People Are Saying

Comments from Readers on Current Topics are cordially invited; their opinions, however, do not necessarily represent the views of the *China Weekly Review*.

## About Veterans

The Editor, *China Weekly Review:*

I have been reading the *China Weekly Review* for sometime, although I am not a subscriber. I have also listened to The Commentator's Friday evening broadcasts.

In April, 1937, I left Shanghai on a vacation to my home in the United States. Hostilities broke out before I returned, being in Florida when the Shanghai fighting started. While in the U.S., I did considerable traveling, stopping longer in Florida than any other place.

As a World War veteran and also a member of the American Legion, I visited many Legion meetings, besides district and state conventions in Florida and Georgia. Since returning to Shanghai, I've kept a number of Legionnaires informed about hostilities and conditions in general. Now, lately, I have received letters from other Legionnaires who are enquiring about China.

The National Convention of the American Legion will be held Sept. 21-24, at Los Angeles. Hundreds of thousands of veterans, with their families, are expected to attend.

The Legion is a democratic, non-political organization, and it was formed for Service in Peace as well as in War. They are backing policies for the welfare and protection of our government and its people.

We have a Legion Post at Shanghai, and I believe we will send a delegate to the convention. I noticed in one of your magazines, "Destruction in China," that a resolution was signed by a number of Americans and sent to Washington. This is the first I had heard of any resolution, but I am only a common ordinary American citizen.

Now, in Shanghai we have three veterans' organizations: United Spanish War Veterans, the American Legion and Fleet Reserve Association. The Fleet Reserve Association which has clubrooms on the second floor, 103 Peking Road, has 110 members and about 40 more than are eligible. There are at least 50 Chinese who have served 16, 20 or 30 years of active service in the United States Navy or Marine Corps.

Now, it would be interesting to know what the attitude of veterans at home is concerning what is taking place in China. Should we not tell them about veterans living here, conditions, and any information possible about American citizens residing in China?

LEON ANDERSON

Shanghai, August 13.

***

**We call the attention of Mr. Anderson and others interested in informing Americans at home about the state of affairs in China today as it directly affects Americans resident in China and the American nation as a whole, to the *China Weekly Review's* latest 74-page publication, "Japan's War on Foreign Business in China."**

## Encouragement

The Editor, *China Weekly Review:*

We Chinese students thank you for your fine policy in always saying the truth and publishing an honest mangazine in spite of unfavorable conditions in Shanghai. We admire very much your courage and the fearlessness of your stand on the Sino-Japanese issue and your efforts to expose the sinister designs and wicked practices of the Japanese in attacking China especially around Soochow and Nanking. We are glad to read *The Review* in spite of intimitations from the Japanese. Conditions as you picture them are truthful and not exaggerated as we have just escaped those spots.

Some Chinese and also some foreign newspaper editors may be frightened into changing their policy in order to suppress the truth for the Japanese. Some other editors really run away from Shanghai altogether. But one knows *The Review* will always be bravely published. We read where you were threatened because of your radio broadcast, but do not fear and run away as the Japanese really are too cowardly do anything to you. The Chinese people who are struggling for freedom respect your fine journalism, and in helping us to know the truth, and in encouraging us not to run away in times like these. We hope these words of thanks will encourage you—we take pleasure in greeting you as a friend.

(Signed by Three Students).

Shanghai.

## Thank You

The Editor, *China Weekly Review:*

I am a comparative newcomer to your weekly radio broadcasts; however, I have met many Shanghailanders who deeply appreciate your radio program. They tell me that it is the only free speech in the otherwise very dark world of ours.

A. A. R.

Shanghai, August 15.


## THE CHINA WEEKLY REVIEW

*Formerly Millard's Review*

Cable Address "REVIEWING SHANGHAI"

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COMMUNICATIONS PERTAINING TO SUBSCRIPTIONS OR ADVERTISING IN CHINA OR ABROAD SHOULD BE ADDRESSED TO THE CHINA WEEKLY REVIEW AT 160 AVENUE EDWARD VII, SHANGHAI, CHINA, TELEPHONE 14741. CABLE ADDRESS "REVIEWING SHANGHAI."

## Gloomy Outlook

The Editor, *China Weekly Review:*

I assume, since Foochow is not peopled by many news correspondents, that you have not received all the detailed data on Japanese bombing excursions into this city. I pass on to you a few jotted notes. On July 1, at Pagoda Anchorage, they damaged the British Consulate property, and almost hit the American doctor's (Dr. Chas. L. Gillette) residence with a bomb that fell on his front lawn. The rocks and earth from the British Consulate were thrown on the back quarter of Dr. Gillette's house which did very much damage to three rooms and his kitchen. Since then, they have not conducted any sustained bombing raids here. I was in the doctor's house early on July 2 and saw the damage with my own eyes; also the hole the bomb made on the front lawn.

They were aiming at the Naval Commander's residence which is near to both British and American property, but others thought they were aiming at the dockyard which is on the other side of the hill. However, their leaving Foochow alone lately must be due to their occupation elsewhere. It is to be hoped they will be kept fully occupied in Manchuria, on the Korean border.

I note that business is at standstill in Shanghai. There is no hope whatever for the big interests, unless they can persuade the Chamberlain Government to call a show down, and that this effete Prime Minister, with men like Hoare and Simon with him, will not do. Moral: all will have to pack up. H. A. C.

Foochow.

## Children Point the Way

The Editor, *China Weekly Review:*

Sons of filial piety are often bred in homes of poverty, while a disturbed state provides more chance for the display of loyalty by officials, according to a well-known Chinese saying; and had they been born somewhere else, say in the United Kingdom or the United States, the 395 boys and girls, very few aged more than 14, in Pehpei, a small town of Szechuen, could not have so easily earned the dignity of being called "little teachers."

That China must win the present war over Japan, all Chinese today agree; but at the same time, men, money, and munitions must be in readiness every moment, while all obstacles to early and immediate success of the Chinese in arms should be removed at once. Some 66 to 89 in some west China towns out of a hundred still cannot read and write hence illiteracy must be done away with as quickly as possibly.

Should all towns and villages adopt the same methods as Pehpei, a thousand men and women could be taught to understand 1,000 simple-meaning Chinese written characters within a short time; and since these words have been selected by experts in education and composition, they are very useful and practical in every day newspaper reading or occasional letter writings.

Under the auspices of the Pehpei Committee in charge of Mass Education, 359 pupils from 19 higher primary and lower middle schools recently responded to calls to join a short-term normal training class in preparation for going out in their spare time to help others know how to read.

Within but a period of six months in 1938, some 1,002 men and women in Pehpei and vicinity, in 88 different groups, (some but a class of three or four conducted in homes of pupils or teachers and some 20 or 30 in schools and shops during unoccupied hours), succeeded in mastering rudiments of education more or less satisfactory and acceptable to the school inspectors who have been not only watching at the progress of the adult pupils but also grading the enthusiasm and efficiency of the child teachers.

As a little encouragement to those who have done a little better than others, the Committee awarded a certificate of first honor to 106 child teachers and second, to 159, at the conclusion of their work for term. At the same time, the Committee did not forget the adult pupils, some 184 being awarded diploma for excellent, and 305, for superior work during their study. Money is not everything, after all; and in all these, the Committee, to be exact, has only spent $24.79, mostly in gifts to recipients of certificates and diplomas.

Hin Wong.

Chungking, July 30, 1938.

PAINTS AND PAINT WORK

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# In the United States Court for China

| | |
|---|---|
| WILLIAM TAYLER VROOMAN, Plaintiff, vs. WINIFRED CURTIS WOLFFE VROOMAN, Defendant. | Cause No. 4343<br>Civil No. 2222<br>ORDER<br>Filed at Shanghai, China, August 2, 1938.<br>William T. Collins, Clerk.<br>E. J. Collins, Dep. Clerk |

The object of this suit is to secure a decree of divorce.

WHEREAS plaintiff herein, on the 2nd day of August, 1938, made application for the substitution of publication for personal service of summons upon the defendant herein; and

WHEREAS it appears from the files of this case that on the 28th day of July, 1938, the summons for defendant was returned by the United States Marshal for China, "Not to be found within the jurisdiction of this Court"; and

WHEREAS it appears from the files of this case that on the 28th day of July, 1938, William Tayler Vrooman, the plaintiff herein, filed an affidavit to the effect that the defendant, Winifred Curtis Wolffe Vrooman, does not reside within the jurisdiction of this Court;

NOW, THEREFORE, it is, this 2nd day of August, 1938, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the CHINA WEEKLY REVIEW, a paper of general circulation most likely to reach defendant. And it is

FURTHER ORDERED that the defendant cause her appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occurring after the 20th day of August, 1938, the last day of publication of this Order; Otherwise the case will be proceeded with as in case of default.

*By The Court,*

NELSON E. LURTON,

Special Judge.

密勒氏評論報

The China Weekly

# REVIEW

Formerly Millard's Review

中華郵政特准掛號認立券之報紙

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## HOW MUCH LONGER CAN JAPAN PAY HER BILLS?

A few days ago the U. S. Department of Commerce at Washington issued a statement to the following effect: "In view of all the factors involved, it appears advisable that exporters should have a confirmed irrevocable letter of credit in their hands before accepting orders for shipments to Japan." This notice was issued to exporters all over the United States because the procurement of exchange permits in Japan, except for war materials, was becoming exceedingly difficult. The French Government even went so far as to prohibit any exports to Japan until the Japanese squared up their overdue accounts.

⁂

At the time the U. S. Commerce Department's warning was issued there were 16 oil tankers belonging to Japan or under charter to Japanese, lying idle in California ports because the Japanese could not raise the money to pay for the oil that under normal conditions, would have been forthcoming to fill the empty tankers. But while these tankers were lying idle, other tankers belonging to the Japanese Navy were able to obtain oil, because the Japanese navy had the money to pay its bills. The oil famine in Japan, except for strictly war purposes, was observable in the discontinuance of taxis and use of private cars and the wholesale introduction of charcoal-gas burners for busses and trucks.

⁂

As a result of the clamping down on credits and refusal of foreign governments to sanction loans, the Japanese Government was compelled to dip into its carefully-husbanded gold reserves which normally serve as security against note and bond issues. The decision to ship more gold abroad was made about a month ago, the order being given by the new Finance Minister Seihin Ikeda. Since that time a stream of the golden metal has been going across the Pacific in sums ranging from U.S.$5,000,000 to U.S.$10,000,000 a shipment. According to a report by *United Press* from Washington on Aug. 13, the Japanese have shipped to the United States gold valued at U.S.$352,800,000 in the past 16 months.

⁂

That figure, U.S.$352,800,000, is significant because supposedly reliable estimates placed Japan's gold reserves in November, 1937, at about 7,800,000 ounces. Since that time, Japan has shipped to the United States about 2,000,000 ounces, thus leaving in the treasury (end of May 1938) between 5,700,000 and 5,800,000 ounces, which, valued at the U. S. price of $35 an ounce was equivalent to about U.S.$210,000,000. Of course, all of Japan's gold does not go to the United States because she also buys heavily in England and Germany. Much of Germany's bill was paid with soya-beans and oil from Manchukuo, but the British got gold, obviously.

⁂

A *Havas* message from Washington, published in Shanghai on August 16, expressed the belief that the Bank of Japan still had gold stocks valued at approximately $260,000,000. According to the official announcement of Finance Minister Ikeda, the Japanese planned to ship a third of their reserves abroad to be used as a "revolving" fund to purchase vital raw materials required for war purposes and to feed the starved export-industries. This would be U.S.$87,000,000, which actually is only slightly more than the amount already shipped to the United States from February to June of the present year. Foreigners who are familiar with financial conditions in Japan believe that the U.S.$87,000,000 now being shipped is actually the last of Japan's gold reserves. With the end of the war nowhere in sight, this shipment is merely an expedient, possibly a dangerous one having little or no effect from the standpoint of solving Japan's desperate economic problem. It is quite obvious that the weak point in Japan's armour is the frailty of its economic foundation.

⁂

Even though Japan produces new gold from mines in Korea amounting to about Yen 100,000,000 annually (less than Philippine production), the foregoing figures show, unmistakably, that the new Japanese Finance Minister has "scraped the bottom of the till," in other words has shipped practically all of Japan's gold reserves abroad to pay for war materials. The resulting gold famine in Japan is observable in the campaign to induce the people to hand over their gold ornaments to the state and in restrictions on the use of gold in the industries and arts. The manufacture of articles containing more than 9 carats of gold is prohibited and shortly the regulations are to be tightened prohibiting the use of any gold at all. No longer can any manufacturer make such articles as gold rings, bracelets, watches, spectacle frames. The government even prohibited the use of gold powder and foil in the printing of cigarette packages and a special permit has to be obtained to use gold in hypodermic needle tips, rayon sprayer nozzles and such articles. No gold thread may be made for sale to tourists. The Government hopes in this manner to save about Yen 10,000,000, an infinitesimal amount in view of the country's requirements.

⁂

The shipping of her gold reserves abroad has had the practical effect of putting Japan on a "managed" currency basis, which probably explains why the Japanese yen may be purchased in Shanghai exchange shops at

rates ranging from 5 to 6 for one American dollar, although the official rate maintained by the Japanese Government and state-controlled banks is still maintained at Yen 1 equals U.S.$0.29. This has led to vast speculation in Yen and also has been a great boon to tourists who were able to fill their pockets with "cheap" yen notes purchased in Shanghai exchange shops. The Japanese authorities have threatened to have their police search travelers landing in Japan from Shanghai, but thus far have not put it into effect.

***

The depletion of Japan's gold reserves and inability to purchase abroad except for cash has led to the circulation of propaganda from official sources designed to re-assure (or mislead) the world as to Japan's ability to continue her China war indefinitely, or, to quote the official War Office statement, "until Chiang Kai-shek has been brought to his knees." Actually, the Japanese are already "on their knees," financially speaking, but one would not think so by reading their propaganda. For example, the growing skepticism in the United States regarding Japan's ability to pay her bills caused Yakichiro Suma, Counsellor of Embassy in Washington to issue a curious financial statement, curious in the light of actual facts prevailing in Japan. Suma declared that Japan could meet military expenses of Yen 12,000,000,000 annually "for not less than four years." He based his figures on 8 points:

1—Japan produces Yen 100,000,000 in new gold annually and "hopes" to shortly increase it to Yen 700,000,000.

2—Japan made a profit of Yen 1,000,000,000 from her stabilization fund when the Yen was devalued in 1931.

3—Adequate gold reserves for note circulation despite the profit of devaluation.

4—Large capacity for additional taxation. If necessary the Japanese could meet interest charges on a increase of the national debt of about Yen 53,000,000,000 above the present debt exceeding Yen ten or twelve billions. In 1935 Yen 10,000,000,000 was regarded as the danger point of the national debt.

5—Japan's capacity for absorbing bonds proved by fact that only Yen 203,000,000 was needed of an authorized bond issue of Yen 258,000,000. (Rumored only Yen 203,000,000 could be sold.)

6—Japan's per capita national debt is only Yen 122 as compared to America's Yen 1,050 and England's per capita debt equivalent to Yen 2,887.

7—Of Japan's Yen 2,000,000,000 foreign debt, the Japanese themselves hold Yen 1,600,000,000, hence obligations to foreigners are strictly limited.

8—Recent curtailment of imports has resulted in "invisible" favorable balance of trade equivalent to Yen 230,000,000, contributed largely by the merchant marine. (In 1937 Japan's imports exceeded exports by Yen 630,000,000).

***

Most of the items referred to in Mr. Suma's financial statement have been discussed in the foregoing with the exception of Paragraph 4, otherwise the paper profit of a billion yen from the stabilization fund. Japan went off the gold standard on December 10, 1931, following which the exchange value of the Yen declined. Before and after going off gold, reserves for note issues were kept in the old gold Yen value (Yen 2 equals G.$1), up to August 1937. Due to steady shipments of gold to U. S. A., to offset unfavorable trade balances and prospects of an inevitable increase in their note issue this year, the Government, during August 1937, revalued the gold reserve in the Bank of Japan in line with the present value of the paper yen. For example, the value of gold reserves in July 1937 was Gold Yen 488,436,000 and in August 1937, one month later, it was announced that the value of the reserve was Paper Yen 801,000,000. What took place was the Government had taken the gold reserve in July of Yen 488,436,000 and converted it into present paper Yen value at a rate fixed by the Diet, thus making the total sum approximately Yen 1,500,000,000 (paper). Of this amount the Diet set aside Yen 800,000,000 (paper) as reserve against note issue by the Bank of Japan. The balance of Yen 700,000,000 was set aside in a special fund for use in stabilizing exchange, purchase of bonds, offsetting unfavorable trade balances. Thus the actual gold reserve of July 1937 was first tripled, then cut in half, thus allowing the Government to have note reserves in August 1937 of Yen 801,000,000 and providing facilities for an additional note issue of Yen 300,000,000 and still having a special fund of Yen 700,000,000 expenditure, of which the Minister of Finance was not required to make any accounting. Next to the inflation of the German Mark and the old Czarist Rouble, the world has not observed such financial legerdemain as is now taking place in Japan!

## "LONE BATTALION" AND SHANGHAI'S COSSACK TROOPS

THE "Lone Battallion" was a part of the Chinese 88th Division which defended Shanghai against the Japanese last fall. When the Chinese troops finally withdrew, the Battallion commanded by Col. Hsueh Ching-yuan chose to remain and defend itself in a warehouse adjacent to the International Settlement. After defending themselves for a considerable time and suffering heavy losses, the Battallion escaped across Soochow Creek into the International Settlement.

The Battallion entered the Settlement because the Commander of the British troops offered the Chinese soldiers refuge and protection. After surrendering their arms they were interned and little had been heard of them until the recent Chinese observance of the anniversary of the outbreak of hostilities at Shanghai.

The Battallion is made up of some 300 Chinese youths, mostly natives of Hupeh, college students and cadets, ranging in age from 19 to 22 years.

Shortly before the anniversary, the officers of the Lone Battallion requested permission to fly the Chinese national flag in the compound where they were interned. This apparently was refused, so some ultra-patriots in the camp put up the flag anyway.

It then developed that the Lone Battallion was being guarded, not by the British troops or the Police, but by the so-called White Russian Volunteer Corps, paid defenders of the Settlement. Infuriated by the disobedience of the Chinese cadets, the Russians armed with rifles invaded the camp of unarmed Chinese boys and proceeded to beat and club them into submission. The cadets defended themselves with sticks, empty bottles and whatever was available, but they were no match for the armed Cossacks who, according to report, killed four of the Chinese and badly wounded about a hundred others.

It apparently never occurred to the authorities of the Settlement that the Russian Cossacks who make up the paid volunteers, may have had their own reasons for "beating-up" and persecuting the youthful Chinese soldiers. The Lone Battallion was a part of the 88th Division, which was known as Gen. Chiang Kai-shek's "own" army.

The Russian Cossacks, who make up the paid volunteers employed by the Settlement were mostly followers of the ex-Ataman Semenoff, who is now in the pay of the Japanese in Manchukuo. The Japanese have promised Semenoff and his followers a place in some new "puppet" state in Mongolia or Siberia, "after" they have defeated the Soviet Union.

We admit the evidence is circumstantial, but the authorities of the Settlement who were responsible for turning the Lone Battallion cadets over to the Russian Cossacks didn't display very good judgment. The Japanese must have been quite happy when they heard that the members of the Lone Battallion had been beaten up and several killed and wounded by white Russian armed Cossacks.

# Will the Sino-Japanese War End Shanghai's Domination of China's Trade and Finance?

BY JOHN AHLERS

GREAT wars rarely lead to really new and unforeseen economic and financial developments. They usually bring about a period of menace and danger to well established older, and in particular to antiquated, economic positions, and thereby provide extraordinary opportunity for the manifestation and strengthening of more modern economic trends directed against those positions. Wars facilitate and accelerate the rising tide of such new trends and hasten the decision in their fight with the older "vested" business interests. Economically and financially, wars chiefly merely accelerate the march of time.

The parties to hostilities as well as the neutrals in the first phases of a great war seldom are aware of this phenomenon. It was only at the end of the Great War that the Old World with boundless astonishment realized that the United States, and in a lesser degree also many of the other overseas countries, had ascended to unprecedented economic and financial heights. But the rise of the United States from debtor to a creditor country, and the industrialization of many a former raw material country in overseas, had begun long before the war. The war, in these respects, had merely hastened the natural and unavoidable development that was in the air long before August, 1914.

The present China War has badly shaken many of the older vested interests in China's economy and finance. At the same time it made manifest a series of new economic and financial trends conflicting with those vested interests. The latter are inclined to view the new trends as but provisional ones of a temporary war-time economy, and the whole of the present economic and financial situation in China as a mere interregnum. Translating their wishes into hopes, and hopes into confidence, they expect that one day this supposed interregum will suddenly end with the war, and that then they will enjoy the sunshine of restoration to their former importance and profits.

Many Shanghailanders, and among the old-timers in particular, think like that. Having seen Shanghai at the height of the commercial, industrial, and financial emporium of China, they are unable to view this height only as a fairy-tale boom of a past long bygone. They conceive this emporium to have been the natural and unalienable position of Shanghai and to be bound to return to the city sooner or later. They are so confident, in this respect, that most of them completely neglect to work planfully for this restoration, expecting it to come about automatically.

We do not boast to be able to predict the economic and financial future. But it has to be emphasized that there are quite a number of indications that Shanghai is at present by no means passing through a mere interregnum, but is in the turmoil at the threshold of a new economic and financial era in China. Many of the recent measures taken by Chinese and Japanese in the spheres of economy and finance in China in restricting the business activities, or damaging the economic interests of Shanghai are only following the lines of economic trends against Shanghai which started long before the present war. Such measures and trends rapidly consolidate, in a number of instances, into new economic and financial positions and interests which may rival, if not prove destructive to Shanghai. They are likely to result in a series of lasting changes to the detriment of Shanghai.

The over-concentration of China's foreign trade in Shanghai began to give way to a new decentralization of this trade a number of years ago. Manchuria escaped from the commercial domination of Shanghai before September, 1931. The Japanese accelerated this development considerably, and with Manchuria under their exclusive control the turnover of goods in Dairen surpassed that of Shanghai. The East Hopei "special trade" further encroached upon Shanghai's trade interests. In the last two years before the war, Canton successfully regained trade which in the past century it had ceded to Shanghai. Also without this war, the inauguration of the Canton-Hankow Railway would have deprived Shanghai of its sphere of commercial influence in the southern parts of Hunan Province.

The war further emphasized these trends. After Dairen, also Canton-Kowloon, and of late even Tientsin, surpassed Shanghai as trading centers. Exports from Szechuen Province have been diverted to the roads leading toward Burma and French Indo-China. Tsingtao, in Japanese hands, is about to be separated from its former intimate trade connection with Shanghai also, and to be closely combined with the Korean port of Chemulpo instead. After the war Shanghai may regain some of these trade losses, but there can be no doubt that every other port will try to retain at all costs the additional trade which it secured at the expense of Shanghai during the war.

The reopening of the Yangtsze River to commercial shipping after the end of the war will, of course, strongly revive the foreign trade via Shanghai as a whole. But there are prospects that Japanese Shanghai may become for the westerners' Shanghai what Gdynia on the shores of the Baltic Sea become to Danzig when the Poles developed the former with a view to subduing the latter. To fight Japanese Shanghai, the Chinese also may develop another Yangtsze port into a great commercial center. That Shanghai is the natural and indispensable center of the trade of all the Yangtsze Valley is but a myth. Today it is almost forgotten that four decades ago Sir Robert Hart, doubtless a first-class expert on Shanghai problems, strongly advised against the spending of large funds on the Whangpoo conservancy enterprise. Sir Robert feared for the economic future of Shanghai in the long run and expressed his firm conviction that the Yangtsze trading center of the future would be Chinkiang, situated at the crossroads of the Yangtsze River and the Grand Canal.

Also from long before the war dates the now all-powerful trend toward ever increased governmental regulation, direction, and monopolization of economic and financial activities in China. The complete liberty of all individual business activities which formerly characterized Europe and America and which is still close to the heart of the western business men in China, has always remained alien to the Chinese. This liberty formed one of the fundamentals of the prosperity of Shanghai in the past. If it were not for that liberty, Shanghai would never have risen to the position of the economic emporium of China. But since China's National Government obtained tariff autonomy and developed a deliberate economic policy of its own, aiming at the prosperity primarily of China as a whole, that liberty was by necessity encroached upon. The Chinese Maritime Customs tariff ceased to

be merely an instrument for procuring revenue, and instead became instrumental in restricting certain business activities and encouraging others indifferent of the antiquated view to immediate individual profits dominating the treaty ports. In the last years before the present war, China's National Government also started upon a policy of creating more semi-official trade companies, and even trade monopolies, in more than one instance ousting foreign private business from long exploited positions. This development was also detrimental to the interests of Shanghai.

The war gave a strong impetus to these tendencies. In the sphere of power of the National Government, the whole of the transportation business fell by force of circumstances completely into official hands. Lack of quick assimilation to the war situation on the part of private business also lead to the development of semi-official transport insurance trusts, and finally to the concentration of a large part of the export business in the hands of the Chinese state banks. The introduction of foreign exchange control further increased the official direction and regulation of the import business. Into the Japanese-occupied areas the new governmental economic control and direction as exercised in Japan proper, and the semi-official monopolies of the Manchurian economic system, spread and subdued or even ousted private business in many instances.

If the Japanese were to maintain their new conquests in China, official control and direction of economy and finance there will tend to increase still further. If the Chinese were to drive the Japanese out, they will abolish the present preferential position of Japanese business in North and Central China, but will in all probability occupy rather than demolish the new strongholds of official economic control erected by the Japanese. As regards the present sphere of power of China's National Government, after the war Chinese officialdom may here and there allow a freer hand to private business again. But on the whole, this officialdom doubtless will try to retain as much as possible of its new powers over private business, and with success.

In the sphere of industry, Shanghai has been China's manufacturing center. But of late years, western industry in Shanghai was more surpassed by Chinese industry in Chinese Shanghai, and Shanghai's industry as a whole by the new industry in the immediate hinterland of the city. For a number of years already, industrial growth was stronger in Wusih, for instance, than in Shanghai. And new industries spread in all directions also over the remainder of China. The Japanese built up a powerful industry in Manchuria. The Chinese increasingly industrialized Canton Province. And even in backward provinces like Szechuen and Yunnan industrialization set in. During the present war, the industrial centers in the sea ports suffered enormous destruction and other losses from the hostilities. In the backward provinces, however, industrial plants transferred there from the east and north and a great number of new industrial enterprises created there to meet the increasing shortage in modern industrial goods rapidly increased industrialization. These new industries in the West, the Southwest, and the Middle South of China all are serious competitors of Shanghai's industry and import trade, and will deprive Shanghai of many old markets also after the war.

There are still other economic and financial trends working against Shanghai which have been strengthened by the war. There is, for instance, the much increased power and importance of the Chinese state banks in the still independent parts of China, and of the Japanese banks in the Japan-controlled areas, as compared with the decreased importance of the westerners' banks. Foreign exchange control contributed much to this development, and will be very difficult to abolish after the war. In the shipping sphere we find the Japanese more and more dominating the shipping in all of the Yellow Sea. On the whole the hold of the westerners on China's economy and finance has been much restricted, and it cannot be enough repeated that wherever the Japanese took the position of the westerners they will be replaced, if beaten by the Chinese, by the latter and not by the generally defeatist westerners again. It is Shanghai, and western business in and via Shanghai in particular, which is suffering from this development.

It is more necessary than ever before to view the real situation with open eyes. Shanghai's special position as the economic and financial emporium of China was largely antiquated. The basis upon which this position has been developed in the past had, in many instances, changed or completely disappeared in the years before the present war. Business conditions in Shanghai, in many respects, resembled business conditions in a number of European trade centers of a past bygone. The new economic and financial trends arising against Shanghai everywhere already before July, 1937, and considerably emphasized by the war, mostly are but trends similar to those which now dominate modern European economy. They often simply represent the march of time. Something formerly unheard of in China, they will be regarded as quite natural in the larger part of the Old World.

Before the Great War, in the Near East, Constantinople occupied a position parallel, in many respects, to the position of Shanghai in China. Constantinople then was the commercial center of the Balkans, the Black Sea countries, and the great Ottoman Empire. Other ports, and other regions, long fought for economic independence from Constantinople, but made little progress only until the Great War came about. The Great War cut the city on the Bosporus off from most of the outer world, and after the war the city experienced years of occupation by enemy troops. During this time of distress the city lost its former commercial world importance. It remained an important port and shipping center, developed new industries and was saved from ruin. But the scepter of the economic and financial emporium of the Near East has fallen from the hands of Constantinople.

The great independent European ports of the past, with almost unlimited economic and financial freedom and power over whole countries, all have long ago capitulated before the march of time. Many of them are still of great importance, but all are completely dominated by their hinterlands. They have become, to all intents, instruments of this hinterland, with the prosperity and destiny of which they are at present inextricably bound up. The same economic development which brought about the ascendancy of the hinterlands over the ports in question, and which deposed Constantinople twenty years ago, has been at work in China for years already and has been considerably sped up by the present war.

There are still Shanghailanders who want to believe that this war will end with the complete exhaustion of both belligerents, and that then the westerners' Shanghai will come into the foreground and possibly extend into a Free City and Free Port of All Shanghai. But this is obviously a chimera. There are, in a world of realities, no possibilities of any further extension of the territory neither of the International Settlement nor of the French Concession, or of their rights and prerogatives. If the Japanese will not be able to maintain themselves, the Chinese will bar any development in that direction.

For the time being, the Japanese are still there. Their attitude to the various Shanghai problems has practically brought about a partition of Shanghai

into two units totally different in business conditions and economic outlook: the westerners' Shanghai, and Japanese Shanghai. The latter tends to separate from the former the former, to stand completely upon itself and to be left alone with the Chinese. It is more than a coincidence, that, in many respect the Japanese in Shanghai seem merely to stronger emphasize tendencies manifested earlier by the Chinese in their increasing pressure upon the Settlement, in the construction of the Yukong Wharf, etc. When the Japanese leave, the Chinese will doubtless succeed also to all the new advantages over the westerners' Shanghai which the Japanese acquired in this war.

In this situatlon, the westerners in Shanghai all are in the same boat, whether they realize it or not. They will not be able to maintain even what is left to them at present of their former business if they continue to act, everybody on his own account. There is an urgent necessity of close economic and financial co-operation of all the westerners in the city. United, the forces of westerners' Shanghai are still formidable. Divided, they will be easily beaten one by one. But while every business man naturally will try to maintain as much as he can of his former position, the necessary western co-operation in Shanghai, as a whole, should not aspire to stem against the unconquerable march of time. It is impossible to turn back the clock of history. The problem is not to march against, but to march with the time.

The economic and financial ascendancy of the hinterland over Shanghai, in the long run, is unavoidable. The role Shanghai will play in future China in some decades from now, will largely depend on the present attitude of Shanghailanders to China's great economic and financial problems. The "oldtimer" spirit is not sufficient. The pioneer spirit of old times must be revived. Shanghailanders should stand in the front rows of the new industrial development in the backward provinces, in the new urban development there, in the opening and paving of new economic ways. Only in that way Shanghai may largely regain in other quarters what it loses domestically.

Remember the lesson taught by the two great age-old trade emporiums in northern Italy: Venice and Genoa. When modern economic times came about, Venice only looked upon its past. In vain endeavouring to delay the march of time, Venice decaded into a provincial city with a proud past, but a poor present of little commercial importance, and was completely overshadowed by Trieste. But Genoa, though not forgetting its great past, jumped with both feet into the promotion of the commercial and industrial development of Piedmont and Lombardy, and also in modern times remains a great commercial, industrial and shipping center although only one place among others in modern Italy with no special prerogatives and rights. There can be hardly any doubt which of these two examples recommends itself for imitation by Shanghai in the present crisis. If only Shanghai will face the real situation!

# Changkufeng and Its Significant Lessons

*By a Russian Correspondent (Not Red)*

IT goes without saying that the military leaders of both Japan and the U. S. S. R. are now closely examining the results of the battle at Changkufeng which provided a good opportunity to ascertain the striking power of their respective forces. From recent press reports, it appears certain that the Red Army accounted for itself admirably well as regards both morale of its soldiers and the quality of its technical equipment, artillery tanks and airplanes. The battle on a four-mile front proceeded intermittently from end of July to August 11 and it was during the closing days of hostilities that the Soviet troops gave such a good account of themselves that the Japanese high command was quite eager, in fact saw the high necessity of calling it a day—and hastened to bring about a truce.

Despite the ill-natured and ridiculous Japanese reports (*Domei*) concerning desertions of Russian soldiers, their being ill-fed and cared for, the impression was inescapable that the fighting quality of the Russian remains the same, excellent! For several days, the Russians charged Japanese trenches and were stopped from rushing them only by strong defense on the part of the Japanese. Whoever has seen Japanese infantry in action may have observed that Japanese soldiers rarely experience a shortage of ammunition and spend it freely, creating a bullet-swept belt before their trenches. This fire can be overcome only by a superior fire or exhaustion of ammunition, whereupon it becomes easy to drive them out of their positions. In the Changkufeng battle, the Soviet troops repeatedly attacked the Japanese positions, occupying—it should be stated—the crest of hills, and despite high casualties continued to surge on. On several occasions the attackers came so near as to enable the using of hand grenades, all of which shows that Red soldiers are fearless fighters.

Reports of wholesale desertions of Red army-men, circulated by the Japanese official *Domei* news agency, proved to be entirely false, for, as a matter of fact, the Japanese appear to have caught only two Soviet combatants who may have been taken prisoners while lying wounded. The stories attributed to them, depicting the Red Army from the worst possible light, probably were invented by the Japanese themselves as it is certainly not their custom to show adversaries in the brightest of color. If one wishes to form an opinion on the showing of Soviet forces at Changkufeng, he should study the manner of their attack rather than believe stories spread by amateurish college-boy journalists of Nippon.

Since the Soviet-Chinese Incident of 1929, staged over the management of the former Chinese Eastern Railway, the Red Army has had no major battle with a foreign foe. From the way it conducted itself at Changkufeng there can be no second opinion as regards the striking power of the present day Soviet Red Army. If it had not been for the extreme "moderation" of the Japanese, the dispute would have doubtlessly developed into a general war, as the Soviets clearly demonstrated from the very first day of hostilities that they would not shrink from a "big war." They used freely their aircraft and bombed military objectives far behind the Korean frontier. This battle gave the Japanese generals a clear view that before they can attempt to invade Siberia they will have to bring the China campaign to a successful end.

As is usually the case, the truth of a situation is better discernible to outsiders rather than to participants. According to press dispatches from various European capitals, German opinion, on which Japanese generals had undoubtedly counted well before the Incident, was that Japan had better not aggravate this crises, The Germans counselled the Japanese to wind it up as speedily as possible, lest it should result in irreparable disaster for Japan.

From the standpoint of Russian national interests

it is not desirable that the Soviet Red Army should be defeated in any war irrespective of whether it is with Japan or any other foreign foe. It is simple enough to see that any defeat of that army might result in loss of territory and possibly the break up of the country into several impoverished parts.

About this, all responsible leaders of Russians abroad, commonly known as Whites, agree, including in that number such personages as members of the Imperial House, Professor Miliukoff, formerly a member of the Provisional Government in 1917, and now proprietor of the *Posledniya Novosti* (Paris); General Denikin, commander-in-chief of White Russian armies in 1917—1920, and many others. Exceptions are very few, mostly amongst those accepting the leadership of ex-Ataman Semenoff, long designated by the Japanese as a figure-head of a future "puppet state" in Siberia. Even the fidelity of this group is doubted as they have been compelled to prophesy this policy by sheer dependence for their livelihood upon the Japanese Army. In a similar position is a well-known chain of White Russian newspapers in Shanghai, Tientsin and Harbin, which is compelled to pursue a poorly-camouflaged "defeatist" policy.

Patriotism is indivisible. One's love of fatherland cannot be less ardent on account of the form of government it may have at any time. This especially applies to Russia where the dictatorship of the Communist Party has existed only for the last twenty-one years, a period infinitesimal in Russian history. It is apparent that the very first weeks of Russia's entry into a general war would involve a considerable change in the Stalin's dictatorship, in the direction of moderation, at least for the sake of sheer necessity in order to weld the party and the people together in the face of national danger.

It occurs that the very fact of mobilization of a few millions of Russians from farms, factories and towns, might compel the ruling party to adapt itself to new conditions created by war-time. There seems to be no further ways to extreme radicalism in Russia; all have been experimented, and, there seems to be nothing left untried in the doctrines of Marx and Lenin in Russia. Therefore it seems that the only way left is to the right, toward moderation. Of this there are many signs, and Stalin and his following appear to be determined to carry on this policy at all cost, even at the sacrifice of their own life-long comrades and collaborators.

The blood purges, which have been going on in Russia for several years and which have resulted in the virtual liquidation of the creators of the Communist regime in the country, may be explained primarily on personal grounds rather than deep-rooted ideological differences. The purges represent little else than the insurance of Stalin and his surroundings from possible encroachers among new-comers, who may emerge only from the groups accepting the leadership of Leo Trotsky or the Bukharin-Rykoff's group, as any other form of opposition, including pure counter-revolution, such as was rooted out with blood soon after the conclusion of the civil war.

That the purges are an outgrowth of the internal affairs of the Communist Party and do not affect the population at large, which had never played any role in politics, is clear enough. The malcontents—followers of Trotsky and the Bukharin-Rykoff's group—appear to have retaliated to these purges by the only way left at their disposal, through widespread wrecking of machinery and generally throwing of monkey-wrenches into State affairs which were controlled by the ruling clique. All foreign observes who have lived in Russia for years and afterwards wrote concerning their experiences agree in stating that such persistent wrecking tactics of malcontents does exist and that it is not a mere invention of the O.G.P.U. in order "to liquidate" a marked man (*cf.* J. D. Little page in the *Saturday Evening Post* for Dec. 18, 1937, Jan. 1 and 29, 1938). The bitterness of this counter-action led Stalin and his henchmen to the policy of physical extermination of all active malcontents irrespective of their station in the party hierarchy and merits in the past. In this respect he appears to be as ruthless as when he rooted out every sign of counter-revolution, which, in juctaposition to wrecking activities, is a product of the disaffection of the population.

The Changkufeng Incident will be invaluable for Stalin and his regime in that it affords an excellent opportunity to study, through the machinery of the O.G.P.U. (secret police), the reaction it had on the Red Army, party and population, or the three elements composing what is the Russian nation at present. And it may be surmised that, if this painstaking and thorough study leads them to believe that the war would be likely to unloose dangerous forces from within, they will not force the issue with Japan. On the contrary, they might surrender to each and every demand that was made by Japan, as they probably would never risk the existence of the Communist regime for the protection of Russian national rights or interests.

If this study leads them to believe that, in the war against Japan, Stalin and his group will be backed up by all the three elements—army, party and population—it may be surmised that the Moscow Government will exhibit an extraordinary firmness in dealing with Japan. Then, they may even create a *casus belli* and strike at Japan at the moment of their own choosing, as Japan's being involved in a war with China is considered to be a golden opportunity for delivering a smashing blow at her. And that would perfectly fit the historical course of Russian expansion which has always been eastward, towards the Pacific.

Shanghai, August 16, 1938.

## Hongkong Air Defense System Said Prepared

Elaborate air defense plans for Hongkong have been brawn up by a high official specially dispatched by the British Government, *Domei* reported August 16. Light control and night air raid alarm rehearsals will be carried out under the plans, the reports stated.

Dugouts will be constructed in thickly-populated districts of the colony. There will be 1,600 dugouts and three "directors" will be assigned to duty at each dugout, bringing the total number of directors to 4,800, including many women, the reports said. The dugouts will be situated in shops and residences where telephone service is available so that in the event of an air raid the "directors" stationed at the dugouts will be able to tell government offices the extent of damages caused by bombings.

The directors will be able also to communicate with fire brigades and hospitals so that when the "All clear" signal is given fire engines and ambulances will be rushed to combat fires and remove the wounded to hospitals. Hongkong, Kowloon and the new territory will be divided into 12 districts, in each of which will be a branch of the fire brigade with one fire engine and one pump. The authorities of Hongkong are proceeding with the training of dugout directors and fire brigade officers.

## Kho Defeated in Singles Semi-Finals

The Chinese tennis champion Kho Sin-kie found his August 14 program at the Blue-White tourney in Berlin somewhat too strenuous for him. Although in partnership with Beutner he won the doubles contest with Pietzner-Hendewerk 6-3, 8-6 and, paired with Fraulein Hamel, defeated Wedkind-Pietzner 6-2. 6-4 in the mixed doubles, he allowed himself to be eliminated in the semi-finals of the men's singles, losing to Hans Redl, Germany, 6-8, 3-6.

# Chiang Urges Patience and Courage, Forecasts Hankow as "Waterloo" for Nipponese

ON the eve of the anniversary of the beginning of Sino-Japanese hostilities in Shanghai, General Chiang Kai-shek, President of the Military Affairs Commission, issued a message to the Chinese people residing in areas under Japanese occupation.

He said that though China has temporarily lost more than two million square kilometers of territory, with a population of about 150 millions, the campaign of resistance in the past 13 months has been successful from military, political, moral and diplomatic points of view. Gen. Chiang called upon the people, in Japanese occupied areas, to continue the struggle for national independence and make necessary sacrifices for the sake of the State.

In particular he urged Manchurian soldiers in the Japanese Army to return to the Government fold and join in resistance against the invaders. Wu-Han (Wuchang, Hankow and Hanyang), the message continued, will be strongly defended and will become the "Waterloo" of the Japanese.

General Chiang recalled the numerous atrocities committed by the invaders in Chinese territory, including the massacre of innocent civilians, indiscriminate air bombings, lootings and rape. In an attempt to exterminate the Chinese race, the Japanese are poisoning the people in occupied areas with narcotics. Japanese statistics show that more than one-third of the population of the four North-Eastern Provinces are drug addicts, of whom 13 millions are registered with the Japanese authorities.

The Generalissimo's message expressed determination to defend Wu-Han at all cost. The great decisive battle will be fought on the northern and southern banks of the Yangtse, near Wu-Han, where the final blow will be dealt to the invaders. In order to achieve a final victory, no sacrifice will be spared. Resistance will be continued "even to the last soldier."

Gen. Chiang expressed deep sympathy with the plight of Chinese residing in Japanese occupied areas, including the four North-Eastern provinces. He said he was glad to note that Chinese residents in foreign settlements in Shanghai observed the first anniversary of the Lukouchiao Incident on July 7 by hoisting the National Flag. Moreover, Chinese patriots in the rear of the Japanese continue to crush the traitors.

Finally, the message expressed confidence in the ultimate success of the campaign of resistance. The ultimate victory is imminent, the message concluded.

In a statement issued on the first anniversary of the Shanghai hostilities, Wang Ching-wei, Deputy General Executive of the Kuomintang, declared that August 13 represented the commencement of the campaign of resistance on the entire front, under the leadership of Gen. Chiang Kai-shek. Mr. Wang emphasized that the war of resistance and national reconstruction must go hand in hand, in order to achieve national objectives desired. Although the eastern part of the country has been invaded and ravaged, the message continued, the Chinese defenders have lured the enemy to penetrate further inland, so as to eliminate him in the mountainous regions of the west. "This is a question of military strategy and the final victory will be ours if we carry out our policy," the statement explained.

Stressing the extreme importance of Hankow as the heart of Chinese resistance against the Japanese, Eugene Chen, former Foreign Minister, in a letter to the *Sunday Herald*, Hongkong, on the anniversary of the Shanghai War, declared that Hankow must be defended at all costs. Mr. Chen called Hankow a "second Verdun" and demanded that it be strengthened in the same way as Verdun. Besides that he said, the support of Soviet Russia is necessary. The Changkufeng incident is a symbolical proof of the military strength which the Soviet Union has at its disposal, Mr. Chen continued. He declared that in order to obtain far-reaching help from Soviet Russia, all elements in China that have acted as traitors, for instance those who today sit in the governments of Peiping, Nanking and Shanghai, should be "liquidated."

Mr. Chen recently was mentioned for the post of Chinese Ambassador to Moscow and may shortly leave Hongkong for Hankow to confer with the Central Authorities.

Hopelessly involved in hostilities abroad, Japan is facing another serious problem at home. Testifying to the corruption of public morals and a feeling of shortage of manpower, Gen. Sadao Araki, Education Minister, and Admiral Suetsugu, Home Minister, are making concerted effort to enforce strictoer discipline of the students and at the same time prolong their period of military training.

The student problem has become so serious that it was discussed at a recent Cabinet meeting. Admiral Suetsugu expressed the opinion that the corruption of students was due to their frequent visits to dance-halls and mahjong clubs, besides seeing "frivolous" foreign motion pictures. In view of the present situation, he urged that military training for students be intensified in order to increase manpower for the fighting service.

To stimulate war enthusiasm, various Cabinet ministers again urged Premier Prince Konoye to intensify the campaign of the "National Spiritual Mobilization." Their views on the matter were, however, divergent as to the effective method to keep up the people's interest in Japan's imperialist wars abroad. Some members favored the formation of a central organ under the immediate direction of the Cabinet, while others objected to this measure on the ground that it would necessitate an increase in the number of government officials and the resultant increase in expenditure. Akira Kazami, Chief Secretary of the Domestic Administration Conference, proposed that the movement be directed by the conference. Despite much wrangling, no agreement has been reached.

Relations between Great Britain and Japan remain strained.

A Foreign Office spokesman took exception to the declaration of the British Premier Neville Chamberlain and Parlimentary Under-Secretary for Foreign Affairs R. A. Butler in the House of Commons on July 25 and 26 that Great Britain would assist Gen. Chiang Kai-shek. This declaration was viewed by the Japanese Foreign Office as casting a dark shadow on the future of friendly relations between Britain and Japan. As a result, further negotiations with the British Ambassador, Sir Robert Craigie, would be abandoned because of "Britain's interference in the China situation and her disregard of Japan's sincerity."

To further strengthen her bond with Germany, Japan is planning to conclude a new German-Japanese trade agreement. Negotiations are being carried on by the Japanese Embassy in Berlin with the German Foreign Office and are expected to be concluded shortly. Under the new agreement, according to the Berlin correspondent of the *Tokyo Asahi*, Germany will be allowed to export to Japan goods valued at Yen 300,000,000 worth annually.

As evidence of their desperate need for money, the Japanese military authorities in Hangchow are enforcing the collection of the so-called "registration fees" on commercial commodities, which is actually a revival of the

illegal Likin Tax abolished by the National Government several years ago. In order to prevent merchants from evading the tax, strict regulations governing the inspection of commodities arriving at or leaving Hangchow were announced.

As a cultural center, Hangchow appeals to the Japanese as an ideal place to train pro-Japanese propagandists. With this in mind, they are planning to establish a "Reformed College" at Hangchow. However, they are baffled by two problems. First is the fear that no students will join the school, and secondly, no reputable professors can be engaged to teach in it.

To prevent disturbances in occupied areas, the Japanese military have ordered the Chekiang Provincial Government to confirm the heads of the "autonomous committees" of various districts in Chekiang as magistrates of these districts. Meanwhile, the Hangchow city government has been instructed to establish an office in Shanghai to induce the return of its former residents.

Aggravated by growing anti-war sentiments and factional dissensions, Japan's internal troubles took a turn for the worse, as her military victories in China failed to satisfy the people, commened the *Hwa Mei Cheng Pao*, Chinese daily in Shanghai. In order to bolster up war enthusiasm of the people, a fantastic report lately came into circulation that a movement was under way in Japan to make Prince Chichibu, younger brother of the Japanese Emperor Hirohito, as "Emperor of China." It was said that Gen. Doihara, Japan's master spy and forunner of Prince Chichibu's ambitious scheme, had arrived at Shanghai to make preliminary preparations.

Seihin Ikeda, Japan's Finance Minister and concurrently Minister of Commerce and Industry, told Japanese newspapermen that Japan would have to co-operat with third Powers in China "for the pursuit of long-term hostilities." He said that it would be foolish to think that hostilities in China would cease in the event of fall of Hankow. Referring to the compilation of next year's budget, he stated that a large budget could not be avoided.

Several new officials were appointed by Nanking to the Chekiang and Anhwei regimes. Sun Di-shan was made civil affairs commissioner of Chekiang and Kiang Pan educational commissioner. The post of civil affairs commissioner of Anhwei is to be held concurrently by Nyi Tao-heng, civil governor of the province, while Wu Hsi-wen has been designated as reconstruction Commissioner. King Tien was appointed director of the Anhwei Police Bureau. King was formerly a secretary in the Shanghai-Woosung Garrison Headquarters.

As evidence of the intense "Japonification" carried on in occupied areas, a group of Chinese pupils who studied at a Japanese school in Sungking recently broadcast Japanese songs over the station XQHA in Shanghai, according to a *Domei* report. Two Japanese schools have been operated at Sungking since last May.

Pan Cheng-hsiao, education commissioner of the puppet Kiangsu government at Soochow, was appointed concurrently commissioner of civil affairs. Pan succeeded Yu Pao-hsien, who had been transferred to Nanking as the vice-Minister of Communications.

Tightening its control over Chinese education in their occupied areas, the Japanese military in Nanking has instructed the "Reformed" Government that graduates of colleges and universities either in China or abroad must register with its ministry of education in order to provide a check on their movements and activities.

Some 100 Chinese primary school teachers turned out to be fullfleged Japanese puppets and propagandists after having undergone intense instruction in the Japanese language for more than two months in Hongkew. They completed their summor courses on Wednesday this week and were given certificates at a ceremony staged in the New Asia Hotel, North Szechuen Road. It was expected that they would soon be distributed to various districts under Japanese occupation to spread Pro-Japanese and anti-Chinese and anti-Communist propaganda.

Shen Chien-li, described as a reporter of the pro-Japanese newspaper, *Hsin Shun Pao*, faced charge at the First Special District Court in Shanghai of attempting to extort money from a lawyer, Chi Chung-jui. Shen called on the lawyer at his office, at 300 Nanking Road and branded him as leader of a guerilla band but offered to "mediate" on the lawyer's behalf with the Japanese, if he would give him a large sum of money.

The Japanese Concession in Hankow has been formally transformed in the 4th Special District of the Hankow Municipality, announced the Hankow Municipal Government. Simultaneously, the Hankow authorities re-named the various streets in the ex-Japanese Concession. The new names include "May 30th Street," "September 18th Street," "January 28th Street," "July 7th Street," and "August 13th Street." Some of the streets are re-named after the various commanders killed in the present campaign of resistance. Tokyo papers described the taking over of the Concession as "illegal seizure."

Much speculation was aroused in Hankow by the non-appearance on August 13 of the Chinese Communist Party organ, the *Hsin Hua Jih Pao*. The authorities claimed that the paper had been suspended for one day because of violation of censorship regulations, while the editor declared that mechanical trouble was responsible for the suspension.

With their drive on Hankow blocked by strong Chinese resistance and Yangtze River floods, the Japanese resorted to dissemination of rumors concerning the alleged differences between General Chiang Kai-shek and the Communist leaders on the question of defence of Hankow. The *Asahi Shimbun* alleged that Gen. Chiang planned to withdraw the Central Army from Hankow in case of a Japanese advance, while the Communists were demanding a decisive war with Japanese troops.

Considerable indignation was aroused in Hankow by a report from Warsaw that Poland intends to recognize "Manchukuo" shortly. Dr. Chu Chia-hua, Vice-President of the World League of Nations' Union, has cabled the Polish League of Nations Union, advising against the contemplated step. Dr. Chu warned that recognition of "Manchukuo" would give rise to unnecessary friction between Poland and China. The Polish League of Nations was urged to advise its government to "give the matter careful consideration so as to avoid future regrets."

The *Ta Kung Pao* in Hankow declared editorially that "Poland's case is different compared with the action taken by Germany and Italy, because Poland is a member of the League of Nations."

Dr. Cheng Tien-fang, Chinese Ambassador to Germany for the past two and a half years, who was recently recalled by the Chinese Government, departed from Berlin (August 2) for China. Prior to departure, Dr. Cheng was decorated by the German Chancellor Hitler. Dr. Cheng will be succeeded by Chen Chieh, Vice-Minister for Foreign Affairs of the National Government, who is scheduled to leave for his post on August 25.

An appeal to the World Youths' Conference in New York to uphold the principles of international peace and justice and apply sanctions against aggressor countries has been cabled by the China Branch of the Anti-Aggression Congress and the Chinese League of Nations' Union. China is fighting for the preservation of world peace and vindication of international justice, the appeal states. All peace-loving nations of the world should stop giving military supplies to Japan so as to prevent the further massacre of the Chinese people.

Among the Chinese delegates attending the Conference is Miss Yang Hui-min, 14-year old Girl Scout known as the "Joan of Arc of China," for her defiance of death in delivering a National Flag to Shanghai's "Lone Battalion" last November.

The Soviet Ambassador to China, Luganets Orelsky, arrived at Hankow (August 14) from Moscow by air, accompanied by his wife. Political observers attached much importance to the return of the Soviet envoy.

Nelson T. Johnson, the American Ambassador, arrived at Chungking on August 10, accompanied by three members of his staff, aboard the U.S.S. *Luzon*.

M. Fisher, the German Charge d'Affaires, and J. D. Greenway, First Secretary of the British Embassy, arrived at Chungking on August 14. With the removal of all foreign embassies to Szechuan, no foreign country now has a diplomatic representation at Hankow any longer.

Wang Ching-wei, Deputy General Executive of the Kuomintang, and Dr. H. H. Kung, President of the Executive Yuan, both arrived at Chungking from Hankow. Mr. Wang paid a high tribute to Szechuen for the gallantry and loyalty of its soldiers who participated in the campaign of resistance against Japanese invasion. Dr. Kung emphasized the importance of Szechuen as a base for national reconstruction. He said that special attention would be paid to the economic development of the province in order to meet the nation's wartime needs.

Dr. Wellington Koo, Dr. Quo Tai-chi, and Dr. Chien Tai, Chinese Ambassadors to France, Great Britain and Belgium respectively, were appointed (August 12) by the National Government as China's delegates to the 19th session of the League of Nations' Assembly in September.

Ma Yuan-fang was appointed new Commissioner of Education of the Kiangsu Provincial Government, succeeding Chou Fu-hai, who had been transferred as Deputy and Acting Director of the Central Party Publicity Department.

Gen. Chang Chun, Vice-President of the Executive Yuan, who has been appointed concurrently Director of the Chungking Headquarters of the Generalissimo, assumed his new post.

Chiang Chi-cheng, formerly Commissioner of Education of Szechuen, was appointed Mayor of Chungking.

The Control Yuan has issued a circular order strictly forbidding official corruption. It was particularly urged that the practice of extra pay for officials holding concurrent posts under the prextet of travelling allowances, public allowances or special allowances be immediately eliminated.

# "China's Sorrow" Unleashed Again

"CHINA'S Sorrow"—the Yellow River, by some queer quirk of fate, coupled with the machinations of nature, may become "Shanghai's Sorrow."

If, by chance, the Yellow River should in its present swollen condition connect with the Yangtsze, Shanghai could easily face the greatest flood in its history.

The collapse of sections of the Yellow River's (*Hwangho*) dikes in Northern Honan (directly due to military operations in that area) early in June, brought this troublesome river to the forefront again. Two breaches developed in the embankments between Chengchow and Kaifeng. At a time when hostilities are proceeding apace, when repair works are hampered, and when the river level is steadily rising to reach its peak towards autumn, well founded speculations are afoot that once more "the Scourge of the Sons of Han" will seek a new outlet to sea.

*Newsweek Map*

**Black arrows, advance of Chinese waters; white, advance of Japanese soldiers.**

The Yellow River, about 2,700 miles in length, which is longer than either the Mississippi or Missouri, waters nine provinces. Its source is in Tibet. At its source, the river attains an altitude of more than 13,800 feet above the sea level. Between its source and the eastern border of Kansu Province, it is beset with cascades, rapids and boulders, and is hardly navigable. Although it is not navigable in Kansu, it lends richness to the province as its waters, conducted by canals of irrigation, fortilise huge plains.

The second part of the river extends from the point where it runs from Kansu to Northern Honan. As the river runs from north to south, it skirts Shansi province which it separates from the southern extention of the Mongolian platean and from Shensi. Departing from Tungkwan, the river enters the lowlands. Passing Kaifeng, the old Chinese city which once absorbed a Jewish colony, the mighty water pursues a northeasterly direction until it reaches the sea by the Gulf of Chihli.

The erratic flow of the yellow stream is most dreaded in the lowlands where the continual accumulation of mud and sand carried down by the current raises the river bed which at many points are several meters above the levels of adjoining cities. The embankments, erected one behind the other at variable distances throughout its course in the lowlands, are often ineffective in preventing floods when the river swells in summer and autumn.

### Submerge Shanghai?

Many an expert engineer today is expressing the opinion that the present floods may mark the beginning of another of the periodic changes in the river's course, and it is possible that its muddy waters may be diverted into the Yangtsze, in which event it will seriously affect the future conditions of the Shanghai and its harbor.

One of the predictions of the Yellow River Conservancy Board is that the river may flow into the Yangtsze about 40 miles below Nanking, at Chinkiang, R. T. Barrett writes in the June 23 issue of *Great Britain and the East*. A conjunction of these two rivers spells disaster to a vast proportion of the provinces of Kiangsu and the whole delta of the Yangtsze, he believes.

Shanghai stands in the middle of the threatened area. The International Settlement is built upon reclaimed mud flats. Its skyscrapers, its houses and public works are well built, but only to withstand the normal and predictable forces of storm and the flooding of its own river. As it happens, the Yangtsze is abnormally high and the rainfall at Shanghai, particularly in June and the early part of August, has been exceptional.

If this menace from the Yellow River develops, no one can foretell the future. Suffice to say, the dragon which, in Chinese myth, dwells in great rivers has been unleashed, and it is not beyond possibility that the floods will become greater than the disaster of 1852. The river then slashed a new channel across farmlands, switching its mouth 250 miles to the north (see map) and engulfing millions.

Reports as late as August 12 indicated that the torrents rushing in through two large breaches on the southern dike between Kaifeng and Chengchow, had crossed the Lunghai Railway, the roadbed of which being higher than the surrounding countryside, once served as a second line of defense in stemming the river's overflow.

### Carrying Silt

Bringing down large quantities of silt, the floods are now rolling in a southeasterly direction into the Chia Lu River, apparently headed for the Yin River and later the Hwai River on the Honan-Anhwei River. By following the Hwai River, which irrigates large parts of Anhwei and northern Kiangsu, the floods will eventually meet the Grand Canal. Because of the relatively flat topography in that area, the Yellow River waters may swell considerably the current in the Grand Canal which begins from the east of Peiping in the north to the neighborhood of Hangchow in the south. Where the canal crosses the Yangtsze River near Chinkiang below Nanking is likely to be the rendezvous for two of China's largest streams.

After having merged with the Yangtsze River, the Yellow River waters may flow due eastward into the sea. In that case, the harbor of Shanghai, being situated at the confluence of the Yangtsze and the Whangpoo Rivers, will be given a grave problem. Even as it is, the Shanghai harbor needs constant dredging at a cost of millions of dollars every year. That the Yellow River is worse than the Yangtsze in the amount of silt washed down from the upper regions is a well-known fact. For the two rivers to merge into one will entail a tremendous increase in dredging expenditures to the port authorities of Shanghai.

Another possibility is that a part of the Yellow River waters, instead of turning eastward to follow the Yangtsze, will rush southward along the southern portion of the Grand Canal. When this happens, Lake Taihu will cease to be a lake but a swollon reservoir of a new mighty river which, passing through Soochow, will make the latter city a Venice, indeed. As the Grand Canal ends near Hangchow, the city famous for its scenic beauty, the Yellow River, now gushing through the breaches in northern Honan between Kaifeng and Chengchow, will have another outlet, a roundabout one, to the sea at the Hangchow Bay, a short distance south of Shanghai.

### Tempermental River

Speculations are rife as to what will happen to the present bed of the Yellow River along which it has been flowing since 1855. The *Hwangho* is notorious for its habit of changing its outlet to the sea. The latest of these periodic changes took place 83 years ago when it altered its original mouth at Haichow south of the Shantung mountains to the Gulf of Chihli north of

*Newsweek*

**Japanese soldiers and one of their worst enemies.**

the mountains. This, however, was only one of many movements the river has made through the centuries. For a long time Tientsin was its outlet to the sea. At other times it selected the Yangtsze near Chinkiang as its rendezvous with the ocean. Thus, when the flood waters now creating havoc in central Honan should actually flow steadily in a southeasterly direction and pour

into the Yangtsze, they are not doing anything new but merely renewing an old acquaintance made centuries ago.

Whether the Yellow River will desert its present bed leading to the Gulf of Chihli also meet question. One thing is certain, namely, with the war going on and the river rising continously the Chinese cannot repair the present breaches on the southern dike north of the Lunghai Line.

The Yellow River waters nine provinces. After emerging from the mountains at Mongtsing in western Honan, it meanders widely through about 700 kilometers of flat alluvial plain before it reaches the Gulf of Chihli. Up to the present, the Chinese Government has spent millions of dollars annually in maintaining two long retaining walls throughout the river's course across the plain country. The river is heavily silt-landon. As a result, at numerous places its bottom is actually higher than the towns and cities behind these dikes. This has made flood-prevention work there an endless task and floods an almost regular happening.

The Yellow River, like any other mighty streams, alway-insists on finding its natural course, and history has shown that no amount of dike-building has been able to control it permas nently.

There is nothing surprising in the Yellow River floods. If anyone sees in it an intervention of providence comparable to the overwhelming of Pharaoh's hosts in the Red Sea, he is disregarding the ordinary processes of nature.

The cause of these periodic catastrophes is simple. During its 2,400 miles rush to the sea from its source on the eastern border of Kansu Province, the river sweeps down vast quantities of sentiment, which increase enormously during the summer floods of June and July. The drainage area of the lower reaches is covered with deposits of loss, a yellowish loam, which offers little resistance to the swirl of the waters against the banks. The bed of the river rapidly silts up, and the people of the surrounding countryside build dikes to prevent floods and to hold the river in its course.

### Now "Japan's Sorrow"

Regardless of what may happen in the future, "China's Sorrow" has already proven "Japan's Sorrow." The swirling flood waters over Honan spelled doom to their North China campaign, and abruptly cut off an avenue of approach to Hankow. But that wasn't all. The floods became one of Japan's worst enemies. The river, in its mad rush over the flat lands drowned countless numbers of their troops, submerged hundreds of pieces of costly mechanized equipment.

The Japanese had every warning of the danger. One of their engineers, Mr. Matsuda, a director of the Kinugawa Hydro Electric Power Company, had made an intensive study of the problem of the Yellow River and formulated plans for its conservancy, dredging and harnessing for the generation of electric power. His knowledge was at the disposal of the Japanese government.

But, of course, Japan had never dreamed that her armies would still be in North Honan at flood season. Her China war campaign had called for a quick and decisive victory; all Chinese resistance was to have been broken down by last winter. Another winter approaches and the floods are still in her path.

Perhaps, then, "China's Sorrow" is a solution to another of "China's Sorrows."

## Many Chinese Return to Amoy

At least 32,800 Chinese inhabitants of Amoy Island had returned there up to July 31 and about 300 are going back every day, *Domei* reported. Chinese residents of Amoy are carrying on their business as usual, the reports said. Sanitary conditions in Amoy were described as satisfactory, with anti-cholera and anti-dysentery inoculations being administered according to compulsory regulations. There are some cases of Cholera on Kulangsu Island opposite Amoy, the reports stated.

### Restrictions on Travel

Passengers are not allowed to land at Hsing Sheng Kong, on the north bank of the Yangtsze River, unless they possess passes issued by the Japanese Army of Shanghai or the Japanese Army stationed at Hsing Sheng Kong, *Domei* also said. No restrictions, however, are being imposed on the transportation of fresh vegetables and livestock between Shanghai and Hsing Sheng Kong and shipping service is being maintained to that place by foreign firms, Chinese reports stated.

In the meantime, the Chekiang military authorities continue to prohibit the departure of all able-bodied men from Ningpo for Shanghai in order to preserve the manpower. All the Chinese who arrived in Shanghai from Ningpo recently were women and children. The Ningpo Residents' Guild of Shanghai has submitted another petition to Ningpo, asking for the removal of the restrictions.

## Japan Has Favorable Trade Balance

Japan's foreign trade balance for the first ten days of August ended in a Yen 18,310,000 surplus of exports over imports. Exports totalled Yen 75,620,000 against imports of Yen 57,310,000.

# Friction Still Evident as Quiet Reigns at Changkufeng

WHILE Moscow and Tokyo continued to utter diplomatic growls this week, quiet reigned on the Siberian-Manchurian border, with restlessness, however, in evidence among the troops of the Kwantung Army and the Soviet Far Eastern troops.

The fact that semi-official circles in Moscow charged on August 14 that Japan had broken the truce reached with the Soviets and had advanced in the Changkufeng district, did not precipitate any further hostilities. Soviet Foreign Commissar Litvinoff demanded that Japanese troops retire by 100 meters, and warned Japanese Ambassador Shigemitsu that if the withdrawal was not made the Soviets would consider that Japan had violated the truce and act accordingly. Japan denied the border violation.

August 15 reports from Moscow told of the "rejection" by Japanese authorities of a new Soviet proposal. Moscow said that on August 13 a proposal by the Soviet military authorities on the border suggested that a protocol be added to the recent agreement containing a map fixing the location of the troops of the respective forces. Japanese officials on the border "rejected" it.

The truce offered both Russia and Japan an opportunity to begin a calculation of their own war dead and the dead of the other side. That their figures did not tally was a foregone conclusion.

**Japan's Figures for Japanese**

| | |
|---|---|
| Dead | 300 |
| Wounded | 600 |

**Japan's Figures for Soviets**

| | |
|---|---|
| Dead and wounded | 4,500 |

**Soviet's Figures for Soviets**

| | |
|---|---|
| Dead | 236 |
| Wounded | 611 |

**Soviet's Figures for the Japanese**

| | |
|---|---|
| Dead | 600 |
| Wounded | 2,500 |

**Japanese on Soviet Losses**

| | |
|---|---|
| Tanks destroyed | 69 |
| Planes destroyed | 7 |
| Infantry guns destroyed | 16 |
| Machine guns destroyed | 25 |
| Rifles | 105 |
| Grenades | 4 |
| Gas masks | 5 |
| Wireless sets | 2 |

On August 15, the report gained circulation that the preliminary diplomatic settlement last week of the dispute made the Commander-in-Chief of the Soviet Far Eastern Army, Marshal Bluecher, extremely dissatisfied. In well-informed Moscow circles, according to several Polish newspapers, it is thought that there is the possibility of a resignation of Marshal Bluecher as a protest against the intrigues of the present War Commissar, M. Voroshiloff, and the Foreign Commissar, M. Maxim Litvinoff. The report also asserted that despite the armistice the Soviet Russian troops remain in the contested frontier zone at their posts ready for action.

The Soviets, however, showed no weakening in their firm stand against the Japanese. The *Journal de Moscou* declared that "Changkufeng Hill remains and will remain in the hands of the Soviets. The journal said that the Japanese militarists will have to face the facts, no matter how unpleasant they may be."

"It is a fact," the paper declared "That all Japanese attacks in the region of Lake Hassan were repulsed, and the Japanese militarists were compelled to consent to preserve the location of troops as stipulated in the agreement. Events in the Far East have revealed, not only the power of the Soviet Union, and the unpreparedness of Japan for war against the Soviet, but also that Japan's hopes for practical assistance from her German ally were nothing but illusion."

### Baby Warship Derby on Between Soviets, Manchukuo

Launching upon a five-year shipbuilding program for its river fleet, Manchukuo has entered a baby warship derby against the Soviets, Rear Admiral Umataro Tanimoto, retiring commander of the Japanese Naval Mission to Manchuria, revealed August 16. The Soviets plan to construct about 100 vessels of 1,000 tons displacement, he said. Rear-Admiral Tanimoto, who will assume the command of the Training Squadron, arrived in Kobe this week from Dairen.

Yingkow, former base of pirates and guerillas, has been completely cleaned up, he claimed. The area was fast being developed into an industrial zone, he added. Floods on the Sungari River, which started about 10 days ago, Rear-Admiral Tanimoto said, were inundating blockhouses on Soviet bank of the river. Soviet soldiers could be seen bailing water out of the concrete pill boxes at various posts, he stated.

# Guerillas at Shanghai's Backdoor

**(Editor's Note: Nym Wales' article is timely, since on August 14 some 300 Chinese guerillas mounted machine-guns outside Hungjao Aidrome, actually at Shanghai's "backdoor", raked it with fire and then marched in and planted the Kuomintang flag on the field. Guerillas are believed to have seized Japan's puppet "Tao Ta" police and disposed of them in the customary manner. Japanese troops who arrived sometime later, found no guerillas, contented themselves with tearing down the Chinese emblem. The *coup d'etat* was witnessed by a British resident. Convergence of guerillas at Shanghai may be headline news in the press of the world in the very near future. At Pootung, only a pistol shot from the International Settlement and the French Concession, the clash of arms is a frequent occurence, plainly audible to Shanghai residents.)**

BY NYM WALES

AT the moment, Shanghai appears to be an island entirely surrounded by guerillas. Every day brings news of new guerilla movements, right at the doorstep of the new "Ta Tao Government. Several puppet officials have been kidnapped and dispensed with unceremoniously, but the most spectacular affair was an armed parade of volunteers on July 24, held at Sanlincheng, a village near Nanghuei, Pootung, a suburb of Shanghai. The newspapers reported that the Japanese garrison there was so taken a back that it looked on paralyzed with astonishment and made no attempt to stop the proceedings.

It is very difficult to get any accurate information about these guerilla units, but most of them seem to be under the superior direction of the newly-formed Fourth Route Army under Chang Fa-kuei, Yeh T'ing and Han Ying, which is said to be slowly converging upon the Shanghai area in three columns. This is a revival of Chang Fa-kuei's far-famed "Ironsides" Fourth Route Army which was the finest military unit of the Kuomintang's Northern Expedition in 1926-27. At that time the "Ironsides Army" consisted of the 11th, 20th and 4th Armies. Chang Fa-kuei directly commanded the 4th Army, Ho Lung commanded the 20th Army and Teh T'ing was commander of one of the divisions of the 11th Army. This was the most revolutionary of the Kuomintang armies, and was full of young radical students and Whampoa cadets. When the split between the Kuomintang and Communists occurred, therefore, the Ironsides troops became dissatisfied with the Kuomintang and decided to stage an uprising at Nanchang on August 1, 1927, which revolt founded the Red Army. About half the Ironsides forces joined the revolt, including Ho Lung's whole 20th Army, Yeh T'ing's whole 24th Division, and two regiments of the 4th Army. Other Whampoa cadets who participated in the uprising were Lin Piao, Ch'eng Ken (formerly Chiang Kai-shek's *aide-de-camp*), and Nich Ho-t'ing. At the same time Chu Teh, then Commissioner of Police in Nanchang and Principal of the Military Training School, organized his 700 cadets and about 2,000 porcelain and railway workers into the 9th Army, and joined the uprising.

These troops fought their way from Nanchang to Swatow, and were nearly all annihilated in the fighting, though a few of the original Ironsides insurgents are still in the famous 1st Division of the First Red Army Corps (which is said never to have been defeated) commanded now by Ch'eng Ken. The rest of the Ironsides Army which remained faithful to Chang Fa-kuei was dispersed and scattered later on. The Reds still kept the name "Fourth" in commemoration of the Ironsides, and the first permanent Red army organized by Chu Teh and Mao Tse-tung in 1927-28 was called the "Fourth Red Army."

### Yeh T'ing Comes Back

After his defeat at Swatow, where the Reds had hoped to form a Soviet base in the East River area of Kwangtung, Yeh T'ing helped organize the Canton Commune on December 11, 1927. When this was also defeated, he seems to have become discouraged with revolutionary uprisings, and as he was married to the daughter of a wealthy Hongkong family, retired in Hongkong for ten years. Nothing has been heard of him until the announcement that Chang Fa-kuei had organized the new "Fourth Route Army," and given his old comrade, Yeh T'ing, the superior command.

As to Han Ying—this commander has had a long a varied history. When I visited the Eighth Route Army headquarters recently, I was told that he ranks with Mao Tse-tung as a combination of military and political genius, and in the councils of the Communist Party is inferior in rank only to Mao Tse-tung.

A little over forty now, Han Ying was one of the earliest "proletarian" Communists. His father died when he was a child, leaving the widow in extreme poverty. She tried to keep her children alive by working as a seamstress, and the son and daughter went out into the hills to collect dried grass and faggots to sell as firewood. At the age of 15, Han Ying became an apprentice in a pawnshop, and after a few years rose to a higher status, in which position he learned to read a little. He was acutely conscious of the contradiction between being poor himself and helping the rich usurers to exploit other poor people, and it was largely his inside knowledge of the injustice of the usury business that caused him to join the Communist Party later on at the time of the Pinhan Railway Strike on February 7, 1923. He then resigned from being a pawnshop-keeper and left his native village, Huangpo, Hupeh, in order to give all his time to Party work. Although he is said to be unimpressive in appearance, he has a powerful personality and knows how to gain the confidence and support of all classes of the lower strata of society. In 1924-25 he was a Party organizer in the various labor unions, and in 1926 was Secretary of the militant Hupeh General Labor Union, which controlled the labor movement in the Wuhan area. Though Hsiang Chung-hua (a famous Communist later national Secretary of the Communist Party) was then Chairman of this Union it is said that all its plans and policies were formulated by Han Ying, who was known as "the soul of Hsiang Chung-hua."

During the tremendous rise of the labor movement in Shanghai at the end of 1926, Han Ying became Secretary of the Shanghai Labor Union, and a member of the Executive Committee of the National Labor Union. Since then he has been one of the most important figures in the trade union movement in China, and was the trusted lieutenant of Li Li-san, who dominated this movement until 1931. When Han Ying entered the Soviets, he became a member of the Politburo and held responsible positions in the Soviet Government. After the main Red Army left the south in 1934 on the Long March, Han Ying stayed behind to direct all the remaining Soviet activities and the "seven-province guerilla forces" in the south, concentrated mainly in the Kiangsi-Chekiang-Fukien-Hunan-Hupeh area, where a Soviet of 10,000 population remained in 1937.

### Story of Han Ying's Troops

The nucleus of the new Fourth Route Army consists of Han Ying's former Red troops in the south, but as probably few of them remained alive after the fighting between 1934-1937, it is made up almost entirely of volunteers from the Kiangsu-Chekiang area, with some volunteers from neighboring provinces.

The story of Han Ying's troops is this: When the main Red Army retreated from Central Soviets centered in Kiangsi and began the Long March in October, 1934, two of the most important Communist leaders remained behind to create a diversion to protect the main forces in retreat and to carry on guerilla activities in the former Soviet areas. These were Fang Chih-min and Han Ying.

Fang Chih-min, a Kiangsi man, who was one of the earliest organizers of Red partisans in that area, commanded the Tenth and Seventh Red Army Corps, made up of two divisions of some 10,000 men. Both these Corps were completely annihilated by the Kuomintang troops. The Seventh Army Corps, called the "Anti-Japanese Vanguards," in 1934 created a diversionist movement from Juikin in the northeast of Kiangsi, where it was destroyed in gallant self-immolation, while the main forces broke the blockade and proceeded on the Long March. Its commander, Hsiung Huai-chou was killed in this last stand in 1935. Fang Chih-min himself, directly commanding his Tenth Army Corps had his base at Yi-yang in northeastern Kiangsi, and after maneuvering about for a while in self-defense, was captured and executed in 1935 when his corps was also annihilated by the enemy.

### Troops Well-Disciplined

Han Ying, an expert military and political strategist, had better luck. He commanded the 24th Independent Division from Fukien, made up of 5,000 men. From 1934 to 1937 he held out in the mountains an the borders of Fukien, Kiangsi, Kwangtung and Chekiang. Several campaigns were directed against him, and even in the spring of 1937 a "final annihilation" drive was announced by the Government, which apparently was never attempted, however.

When the First, Second and Fourth Front Red Armies in the Northwest were reorganized into the Eighth Route Army and sent th Shansi to fight the Japanese in the autumn of 1937, Han Ying's 24th Independent Division in the south was reorganized into the Fourth Route Army, which was put under the superior command of Chang Fa-kuei and Yeh Y'ing. At the time the war with Japan began, Han Ying probably had only a few hundred of his original troops 5,000 remaining. The Fourth Route Army, however, expanded rapidly from local volunteers from the Chekiang-Kiangsu area particularly, which was put under Japanese occupation at the end of 1937. At this writing they are variously said to have from 50,000 to 100,000 volunteers in equally varying stages of armament. The Hankow Government supplies them enough money for basic expenses, and for the rest they depend upon the local patriotic movement. Reports reaching Shanghai indicate that these troops are already well-disciplined and popular with the people in the areas in which they operate.

# China's Financial Condition

PRE-ARRANGEMENT with friendly powers, flotation of loans, stabilization of currency, and promotion of exports form the cardinal features of China's wartime fiscal policy.

These points in China's financial program were revealed by Dr. H. H. Kung, minister of finance, in a series of three addresses delivered before the Officers Training Corps in Hankow in July.

Taking advantage of his trip to London last spring to attend the Coronation ceremonies, Dr. Kung revealed, he discussed with the European countries and America the possibility of investing in China for the purpose of accelerating this country's reconstruction and strengthening its currency. At the time, Dr. Kung said, he made the necessary arrangements abroad in connection with China's defense program.

"As a result of China's earnestness in proceeding with her national reconstruction during recent years, she had received international sympathy and confidence. Consequently, negotiations proceeded monthly. China has resisted with arms for one year. During that period, her finance and currency have remained stable. Internal reconstruction has not been suspended on account of the war. Military supplies have come in uninterrupted. After one year, China now finds her munition supply improved both in quantity and equality."

**Dr. H. H. Kung, concurrently minister of finance and president of the Executive Yuan.**

Touching upon the issuance of bonds, Dr. Kung said that it was the only, and the best, way to raise money to finance the war. To float loans in wartime will help to absorb the idle capital in the market and give the better-off class a chance to help their country financially. All in all, he said that China has thus far issued a $500,000,000 Liberty Loan, a Gold Loan amounting to 100,000,000 Customs Gold Units, 50,000,000 U.S. gold dollars, and 10,000,000 pounds sterling, a $500,000,000 National Defense Loan, and a $100,000,000 War Relief Loan.

Kung was confident that the bonds would be taken up in full before long in view of the ready public response. He added that the amount of the bonds was small compared to the size of China's population.

### Regulations for Depositors

To preserve the nation's financial stability, Dr. Kung noted, the Government promulgated in the middle of August, 1937 a set of measures allowing the depositors to draw during each week only five per cent of their current account. Simultaneously, the Government arranged with the four Government banks to organize a Discount and Loan Committee to undertake agricultural, industrial and commercial loans so that capital may flow into the interior.

To prevent the so-called Federated Reserve Bank from seizing China's foreign exchange fund and undermining the Chinese currency, the Government introduced moderate control over the transactions in foreign exchange on March 13. This was followed by the institution of ways and means to improve the local banking structure, and the convocation of an economic conference in Hankow on June 1 to discuss the circulation of capital in the hinterland.

Directly connected with the stabilization of China's finances is the promotion of exports. This subject has received the closest attention of the Government since the outbreak of hostilities. Under the direction of the Ministry of Finance, the Foreign Trade Adjustment Commission has undertaken to improve the transportation facilities on the one hand and to market staple export products on the other.

Besides, the Government recently announced a new project to promote domestic production and native exports. In addition to the four-point program, Dr. Kung stated that the Government has also effected a retrenchment policy, a thrift program and an improvement of the taxation system.

### Japan's Collapse Seen

While it is a foregone conclusion that in a long-drawn-out war Japan will eventually collapse financially and economically, we should never underrate Japan's financial and economic strength at the present stage, Kung pointed out. Although there are many weaknesses in Japan's financial and economic structures, he said, Japan also has her strong points chief of which are her adequate military preparations and her efficient political machinery.

Inasmuch as it is the established national policy of Japan to invade China, she has devoted the last scores of years to this end. Since the Manchurian incident on September 18, 1931, Japan declared herself in a so-called state of emergency. Politically and economically, Japan has been put on a war footing. She has stored up as much munitions and ammunition as she could. It should be remembered, the finance minister said, that heavy industries are well developed in Japan and that the volume of her production is quite large. So although her manpower and material resources have been considerably expended during the last year of hostilities, it would be an exaggeration to say that Japan's strength has been entirely spent.

What is more, Kung continued, Japan is a small country with a small population. Consequently, her political organization is well-knit and efficient. This explains why it is comparatively easy for Japan to talk about national mobilization, foreign trade control and national economy.

However, with the currency reserves in her banks daily depleting and the amount of note issue daily mounting, there is all the making of a violent inflation in Japan, Kung said.

Since the existence of a world-wide anti-Japanese boycott, Dr. Kung said, a huge unfavourable balance of international payment has been registered in her foreign trade. Last year, Japan's excessive import totalled over 640,000,000 yen—an unprecedented figure in the history of Japan's international trade.

Japan's national budget has increased in proportion to her rising military expenditures. When Dr. Eiichi Baba was Finance Minister, he prepared a Yen 3,140,000,000 budget, which aroused nation-wide repercussion. This was finally cut down to Yen 2,870,000,000 by his successor, Mr. Toyotaro Yuki. After the outbreak of the Lukouchiao incident, the Diet voted Yen 2,550,000,000 for the so-called North China incident. This brought Japan's total national expenditures last year to some Yen 5,430,000,000.

### Heavy Expenditures

For the present fiscal year, Yen 2,860,000,000 were listed for the general budgeted expenditures, Yen 640,000,000 for a supplementray budget, and Yen 4,850,000,000 for the so-called China incident, making a grand total of Yen 8,360,000,000. This figure, Kung pointed out, only applies to the national budget of Japan. It the local budgets and other special estimates are added together, the figure will even be more staggering.

As to Japan's national deficit, he said that last year's deficit amounted to Yen 820,000,000. This year's will exceed Yen 700,000,000. Bearing the brunt of these mounting expenses are the Japanese people. If the Yen 8,360,000,000 budget is divided among Japan's 70,000,000 population, Kung declared, each Japanese will have to shoulder Yen 120.

Japan's national income is around Yen 10,000,000,000 a year, although she claims that the figure is as high as from fourteen to fifteen billion yen. Even then, the average income of each Japanese is only Yen 200, which means that the tax burden of each Japanese occupies 60 per cent of his annual income. Unable to obtain foreign credit. Japan has been resorting to increased taxation and increased note and bond issue.

Since the war broke out, Japan has thrice risen the nation's taxes. Meanwhile, currency inflation may yet prove to be her fatal blow. From an original amount of Yen 1,000,000,000, the note issue has been raised to Yen 2,000,000,000. Although the reserve has been increased from Yen 1,800,000,000—Yen 800,000,000, of which were cash and Yen 1,000,000,000 securities—to Yen 2,500,000,000, the sum was mainly made up of securities. In other words, the security-cash ratio has changed from 10-8 to 17-8.

Kung revealed that Japan shipped Yen 600,000,000 worth of yellow metal out last year to settle her unfavorable balance. Whether this money was taken from the metallic reserve could not be ascertained, but the general opinion is that Japan's present specie reserve does not reach Yen 800,000,000.

A decreasing reserve coupled with an increasing note issue, in Kung's opinion, will ultimately result in a violent inflation. This will totally puset Japan's financial market and will bring the Japanese foreign exchange to a low point.

Referring to the controversial point of Japan's ability to absorb government bonds, Kung said that up to last March Yen 12,800,000,000 worth of bonds has been floated in Japan. Added to the Yen 6,500,000,000 bonds to be floated this year, the total will reach Yen 20,000,000,000 by the end of December. The fact that there is still a big amount of bonds left in the bank vaults of Japan indicates that her bond-issue has reached the saturation point.

Henceforth, Japan will likely force the public to subscribe to the bonds through compulsory savings and invlountary purchase by the banks, insurance companies and savings societies. Such a strong-hand method, will inevitably result in the shrinkage of the national productive capital, decreased production, reduced exports, and a bigger unfavorable balance of trade, Kung believes.

### Press is Optimistic

Optimism regarding the future of China's resistance campaign is expressed by the *Wen Hui Pao*, a leading Chinese daily in Shanghai, when making a comparative study of the financial strength of China and Japan. Since the commencement of her campaign of resistance, the paper said on August 8, China has made progress in all respects, particularly in the field of finance. Japan, on the contrary, is confronted with acute financial crisis, despite her elaborate efforts to enforce rigid financial control.

In point of material resources, commodity prices have risen considerably both in China and Japan. But China does not suffer as much as Japan, because the former can dispense with foreign commodities as she has an abundant supply of native products; while the latter is in dire need of imported raw materials. The material strength of the two countries will therefore undergo more severe test as the war drags on.

As to the currency system, both China and Japan have enforced rigid monetary control. Although outwardly there has been no change in the official rates of foreign exchange in the two countries, the strength and weakness of their financial setups can easily be detected.

Japan began to impose restrictions on foreign exchange at the beginning of 1937 in view of the continuous flight of capital abroad. The amount of the purchase of foreign exchange permitted monthly without application was then fixed at Yen 30,000 each. After the outbreak of the hostilities the amount was decreased each to Yen 1,000 and later to Yen 100. This sufficiently indicates the unstable exchange situtaion in Japan.

The exchange control regulations were imposed in China on March 14, 8 months after the outbreak of the war, and prior to the enforcement of this control measure, the exchange market in China maintained stable, which was really unusual in time of war.

The stability of exchange, in the opinion of the *Wen Hui Pao*, largely depends on the balance of international payments and receipts. When difference between such payments and receipts is too great, stability of exchange can hardly be maintained. Both China and Japan have been devising means to readjust foreign trade and control consumption with a view to balancing their international payments and receipts.

### Methods Are Similar

The methods adopted by China and Japan for readjusting their international receipts and payments are similar. In Japan strict restrictions are imposed on import trade, the use of substitutes is encouraged and consumption rigidly controlled; whereas in China registration of foreign exchange for export and import purposes is required and a nation-wide thrift movement has been launched.

These methods, though similar outwardly, differ in the degree of rigidity and also in the results they have wrought out. During the past six months China's exports exceed her imports. Recently a new "barter system" that is, the exchange of native products for war supplies from abroad, has been introduced and the importation of luxuries restricted and the exportation of native products encouraged. In Japan which lacks raw materials, the import of munitions has completely replaced all other forms of import trade, and Japanese factories are at a standstill due to the lack of raw materials. Consequently, the amount of unfavorable trade balance is increasing, the total being Yen 200,000,000 for the past six months, On the contrary, China's excess import shows considerable decrease during the past half year, the total being $100,000,000. It is believed that the amount will be further decreased during the next six months.

The paper pointed out another test for the financial strength of China and Japan, that is, cash reserve, which is essential in offsetting the unfavorable trade balance. It is estimated that Japan exported Yen 800,000,000 worth of gold abroad, of which only Yen 100,000,000 was offset by gold reserve at home. Only recently Japan, apparently due to the shortage of gold, was forced to use Yen 300,000,000 of her currency reserve, to defray the huge difference between her international receipts and payments. It is really a serious question how Japan could offset her unfavorable trade balance during the next half year.

### No Cash Shortage in China

In China there is no fear of shortage of cash. The recently issued Gold Loan is capable of absorbing $550,000,000 of foreign capital, exclusive of pro-war cash reserve, exchange reserve and remittances from overseas Chinese abroad. The paper predicted that Japan's fighting strength will be exhausted when her currency foundation is shaken; for the continued increase in the prices of foreign raw materials and her foreign debts will form a serious obstacle to her campaign of aggression. With her inexhaustible supply of labor and raw materials, China will outlast Japan in the course of a protracted war.

## BIRTHDAY BUT NO JOY!

*Elderman in the Washington Post*

## China Realty Sues Augustine Order and Picture Finance Group

The China Realty Company, an American concern, brought suit on August 15, in the Civil Division of the First Special District Court, against the Spanish Catholic Order, Augustine Procuration and also against the China Motion Picture Finance Corporation, for sums exceeding $1,000,000 in Chinese currency.

The case was adjourned until 9 a.m. August 29.

The China Realty Company, represented by Dr. G. Sellett and Mr. L. C. Yang, of the law firm of Yeh and Company, is suing the defendants, jointly and separately, for $700,000, plus compound interest over three years and $20,000 lawyers' fees, as the amount due on a mortgage deal.

The property involved consisted of the Hwa Shing Wharf in Pootung, which was the property of the Augustine Procuration until 1936, and on which the China Realty Company had advanced a loan of $700,000.

The loan was assertedly made on the understanding that interest would be paid quarterly, but that the procuration would have an option to extend the period of the loan, originally for three years, by one year.

Availing itself of this condition, it is alleged, the procuration in the meantime sold the property to the China Motion Picture Finance Association. The latter, it is claimed, did not made any payments to the plaintiffs.

Dr. Fischer, of the law firm of Musso, Fischer and Wilhelm, representing the defendants, asked for an adjournmant, which was granted. Judge Li, in granting this request, advised the attorneys for the defense to produce their clients in court at the next hearing. Defendants did not appear when the case came up on August 15.

## N. China Postal Service Expanded By "Government"

Postal service in North China was expanded to full-time operation August 15 with the establishment of the Directorate-General of Postal Affairs in accordance with a decree issued by the "Provisional Government" of China. Pan Chuan-hsien, Secretary of the Executive Commission of the "Government," assumed the post of Director-General of Postal Affairs. Reasons for the establishment of the postal bureau were set forth in a statement issued by the "Government."

Recalling the postal business during the past year, the statement said the spread of hostilities had caused some postoffices to close and others to limit their operations. "Since that time, with the restoration of peace in various districts, industry has made rapid progress in reviving under the guidance of the Government," the statement declared. It is urgently necessary for us to control and adjust postal affairs in order to contribute to the development of industry and the stabilization of living conditions."

## Japanese Sentries Shoot, Kill Chinese in Creek

Two out of four Chinese, attempting to enter Chapei by swimming across Soochow Creek in the Markham Road railway yards area, were shot and killed by Japanese naval sentries August 14, local Japanese dailies reported. The Chinese, the dailies said, were sighted swimming towards the Cantonese Cemetery. Challenged by Japanese sentries, they sought to escape, but two were shot dead. Inspection of their bodies showed that they were carrying between them two pistols, 18 rounds of ammunition and two hand grenades, Japanese said.

# August 13th Proves Great Embarrassment to Japan

MOST embarrassed nation in the world this week was Japan who, because of the actions of her "armed thug" branch of the army—the Special Service Section—dealers in opium and various brands of piracy, saw her diabolical plot to seize Shanghai's International Settlement by means of rowdyism and terrorism bared to the eyes of a rapidly-growing anti-Japanese world.

August 13, 1937, saw the power of Japan's armed forces in Shanghai sweep into battle against China, spurred by a cheer from the lips of every Japanese.

August 13, 1938, saw only the remnants of a bedraggled army in Shanghai which, because it couldn't have its own way in every thing it wanted, resorted to the tactics of a small boy, and got soundly spanked by foreign powers for its mischief. There were no cheers from Shanghai's Japanese-occupied Hongkew district on August 13, 1938.

There was only crestfallen silence, broken by two nonsensical protests much in the manner of the defense of a small boy caught stealing jam.

What happened on August 13-15 made history. It was undoubtedly the biggest story to emanate from Shanghai since the opening of hostilities one year previous. It exposed in all its ugliness, the dishonesty, the mischief of which Japan is capable.

But it made history in a much more important manner. Shanghai's armed forces showed at last a stiffening of the backbone, and proved themselves quite capable of dealing now and hereafter with all types of Japanese and Japanese-inspired terrorism. It was a surprised Japan when they ran up against American and British forces engaged in patroling their own sectors. Many a Shanghailander saw in the exposure of Japanese terrorism the answer to the bombings of last July 7, and countless other incidents which have arisen here in the last six months.

On August 13, 16 Japanese were arrested in the Western District. Ten of these were arrested by the Municipal police near the Italian defense sector. The men were mostly dressed as Chinese, and carried arms. When arrested they were disarmed and turned over to the Italian troops, together with their arms. In most cases it is understood that the Japanese were treated very well by the Italians, given back their arms and not detained. In some cases the Japanese resisted police arrest and there were brief skirmishes.

### Seen In Camp

Italian spokesmen denied that Japanese were turned over to them and say they know nothing about it. However, reporters saw the Japanese lounging about the Italian barracks, smoking cigarets and talking to the Italians. A Japanese consular officia visited the Japanese barracks this morning for some time. It was understood that on August 14 the Italians returned several of the Japanese guns seized to the S.M.P.

As far as the Edinburgh Road incident was concerned, the British military have stated that their troops were not involved, saying merely that the incident occurred in the British defense sector but the men were handled by the police. The two Japanese arrested were Takeo Utsumi and Ichiro Kiyota, members of the Japanese Army Special Service Section. Their car was the same that was used previously to distribute anti-Chinese handbills. They were turned over to the Japanese authorities.

The U.S. Marines took the strongest stand when dealing with Japanese armed thugs in their sector. These were Hiroshi Yoshizaki, Shunkichi Matsuda and Kikuji Amaya, members of the West Shanghai squad of the Japanese Army Special Service Section at Tsaokadoo. Yoshizaki suffered a badly banged-up head during the fracas with the Marines. The men carried pistols and badges and wore foreign-style civilian clothes. Japanese army officials signed a receipt promising strict disciplinary action and a report of that action to be made to the Marines.

### Attempt Escape

The three Japanese were nabbed by American marines after they had threatened Chinese with pistols in an attempt to force them to haul down a Kuomintang flag flying on their shop. When the Japanese saw a Marine patrol approaching, they jumped into their car and attempted to escape. Sergeant "Slug" Marvin, ex prizefighter, hopped on the running board to find that one of them was pressing a gun against his throat and ordering him to get off. Marvin drew his own pistol, aimed at the driver's head and ordered him to halt. The driver stopped the car.

From Marine headquarters, the Japanese were taken to the Pootoo Road police station. Here the Japanese refused to leave the car, and in the process of removing them, Yoshizaki received some rough handling.

Japan felt slightly hurt over this incident. The Japanese newspaper, *Shanghai Nippo*, said it was incomprehensible that "pro-Japanese" American Marines should assume such an attitude towards Japanese.

But Japan really went "huffy" its protests over the detention of two of its army majors. They were Major Kazuo Asano, director of the Broadcasting Superintendence Office, who was detained by British troops at the southern end of Garden Bridge, August 14, and Major Toshiharu Kaneko who was stopped by an S.V.C. armored car earlier in the day and brought to the Louza police station. He was immediately released. Major Asano, however, was held for one hour and 20 minutes.

Col. Hitoshi Hamada, director of the Japanese Army Press Bureau, made representations in the form of letters addressed to Major-Gen. A.P.D. Telfer-Smollett, commanding British forces in Shanghai, and Mr. C. S. Franklin, American chairman of the Shanghai Municipal Council. Major Hamada claimed the police and soldiers handled the Japanese majors in an "arrogant manner."

But the Council met protest with protest. On the following day, August 16, the council lodged a vigorous protest against Japanese-inspired actions which tended to lead to the disturbance of peace in the Settlement, with Japanese Consul-General Hidaka. The council, in its customary fashion, did not reveal the contests of the demarche, but it was understood that the protest covered all the various incidents precipitated by Japanese which occured in the Settlement the week-end of August 13. These incidents included the distribution of anti-Chinese, anti-Council and anti-foreign leaflets scattered over the Settlement from a Japanese airplane and by persons riding in a Nipponese military car bearing Shanghai Defense Force license plates. Also mentioned in the protest were incidents wherein Japanese occupants and drivers of automobiles refused to submit to the search by the officers of the Shanghai Municipal Police.

### Yellow Way Society Exposed

Most embarrasing of all to Japan, however, was the exposure of the wide-scale terroristic activities by the Japanese-sponsored Huang Tao Hwei (Yellow Way Society) when Yang Zung-yien, self-confessed pro-Japanese terrorist appeared in the First Special District court August 15. The man, aide to the three pro-Japanese Chinese terrorists, also members of the Huang Tao Hwei, who were taken into custody by the police on August 12 was arrested August 14. He confessed to having participated in the throwing of a hand grenade at the China Travel Service offices, Szechuen Road, on the night of Sunday, June 12, when, within a space of two and a half hours, five bombs were hurled.

According to his own testimony, Yang joined the society on May 17. For some time he had been assigned to spying in the Settlement, and on June 12 was summoned to the New Asia Hotel on Tiendong Road. There he was given instructions by Zang Nyoh-tsing, described as a notorious gangster, and a man named Tsao Ching-chuen to bomb the premises of the China Travel Service. At about 6 p.m. the same day Tsao took the accused and another man, named Lu Shao-nan, to the Szechuen Road office of the travel bureau, giving them final instructions.

At 9.40 p.m. that day, Yang said, he and Lu returned to this address. Lu, who is still at large, then threw the grenade, which fell short and exploded on the street. A few windows in the immediate vicinity were shattered, and one of a trio of Japanese employees of the Mitsui Bussan Kaisha was wounded. Returning to the New Asia Hotel two days later, Yang and Lu received $50 for their services, of which Lu took the lion's share of the reward, $35, while Yang received only $15.

### Again Summoned

Several days after, Yang continued, he and Lu were again summoned before the leader of the Huang Tao Hwei, Zang. This time they were instructed to throw a bomb into the premises of the Aurora University Middle School on Avenue Dubail. One of the men, now in the custody of the S.M.C. police, named Zee Tuh-ling, was to accompany the pair to the school. The bombing was to take place on June 29. However, Yang said, the plan was later dropped.

After comparative peace had returned to Shanghai, with the rounding up of Japanese and Chinese hoodlums, the Japanese press worked itself into a wrathy state. The *Shanghai Mainichi* said:

"Japanese in Shanghai cannot ignore the 'petty insulting attitude' displayed by the Shanghai Municipal Council and the foreign forces patroling the Settlement.

"Measures taken for the prevention of Chinese-engineered terrorist and assassination plots, resulted in the weird phenomenon where it seemed that steps were being taken against the Japanese.

"Even after the Japanese had succeeded in ousting the Chinese from the vicinity of Shanghai and restoring safety to the Settlement, it appears as if foreign residents are antagonistic to the Japanese. The comparison is odious, but what would have happened to the Settlement had the Chinese won?," the *Mainichi* continued. Pointing out that China had never relished the existence of the Settlement, the daily recalled that Chinese intelligents had frequently advocated the seizure of the foreign areas.

"Is there any doubt that a situation so serious that it wou'd not bear comparison would have arisen had Japan failed to maintain peace and order in this area?" the journal declared "While the foreigners should have extended their hands in gratitude to Japan, their attitude, now that the danger has passed, is what?"

### Reason For Settlement

"There seems to be need for Chinese as well as foreigners residing within the International Settlement to realize the reason for the existence of the Settlement. There is also a need for the Japanese to make similar findings. It appears that among the former, the fact that they reside within the British or American defense sectors leads them to believe that they are residing in those

respective countries. Some Japanese seem to think that they are living in British territory. That is why foreigners treat Japanese as outsiders and deal with them with contempt, the Chinese show open defiance towards the Reformed Government and the Japanese act as if they were afraid. Just because the top layers of the Shanghai Municipal Council's hierarchy are occupied by Britishers is no reason for that Japan's rights in the Settlement should be, in the slightest degree, smaller than theirs," the *Mainichi* declared.

**U.S. Watching**

Meantime, in a message from Washington, the United States Department of State officials were stated to be watching closely the Japanese-inspired terrorism in Shanghai. Washington observers expected the United States Government to co-operate fully with other powers concerned in crushing terrorist activities and in maintaining of law and order.

**"Doomed Battalion" Incident**

Another incident related to the observance of the first anniversary of the Sino-Japanese was the clash between the Russian Regiment of the S.V.C. and the "Doomed Battalion" of the 88th Division which heroically defended the last post in Chapei last year. The soldiers are now interned in the Settlement under the jurisdiction of the Council. Last week, they wanted to fly the Kuomintang flag in observance of August 13. The British commandant at the battalion's barracks refused permission. Chinese soldiers disregarded the order, ran up the flag, anyway. Refusing to take it down, the Russian S.V.C. unit sent in a number of men to forcibly remove it. They were met by stones, broken bottles and clubs. The Russians used no rifles, but employed batons. Result was that a reported four Chinese were killed, a score of more badly wounded. One Russian is said to have lost the sight of one eye, and a countless number of others injured.

Chinese commanders of the Battalion were removed from the barracks and taken to the headquarters of the Russian Regiment. This action was the signal for a hunger strike among the 300-odd soldiers at the barracks. The strike ended two days later with a heavy meal.

General Chiang Kai-shek was reported greatly concerned over the incident. He considered the attack unwarranted. Concerned over the plight of these men, General Chiang sent an urgent telegram to the Central authorities in Chungking, petitioning the latter to take all necessary measures for the protection of the "Lone Battalion." He also sent a representative to call on the British Charge d'Affaires, requesting him to urge Sir Archibald Clark Kerr, the British Ambassador, who is now in Shanghai, to uphold the principle of justice in connection with the unfortuntae attack.

## Science Aiding China's Silk Production

While Japan, by her suicidal war against China, is losing overseas markets; China is fast preparing herself to supply world requirements in silk and other raw materials. The province of Szechuan alone expects to be able to produce 100,000 piculs of raw silk within the next decade, not a new record, but only a repetition of the capacity of early years.

The Farm Credit Bureau of the National Military of Economics is assuring the Szechuan Silk Corporation, a semi-government institution of its willingness to assist in the proposed five-year production plan which provides for the cultivation of 600,000 sheets of improved eggs and the netting of 8,000 piculs of silk in 1939; 800,000 sheets, 12,000 piculs in 1940; 1,000,000 sheets, 16,000 piculs in 1941; and so on until the 100,000 mark is reached.

At present, the Szechuan Silk Corporation is operating ten sericultural farms and ten filatures, all under scientific management with experts in most cases trained abroad as well as in China. Imported and improved eggs are distributed among the farmers for cultivation, and inspectors from the Corporation pay frequent visits to offer advance and technical aid in the prevention of disease and other matters.

Experiments over the last few years have been quite successful, and cocoons from the improved sheets of eggs have been able to fetch as high as 90 cents or more a catty. This summer, the corporation will distribute from 150,000 to 180,000 sheets of improved eggs among the farmers, many of whom are keenly interested in the new methods of sericulture, a subject now for government study as well as private research in Szechuan.

## "Easy Women" Fail to Attract Shantung Farmers

Prostitutes have been mobilized by Japanese authorities in a Shantung town to aid in the work of the Imperial Army, according to information received in Shanghai.

Cast in their role of "peace-makers," however, the prostitutes have failed to attract the stubborn farm men of Shantung, and so far as can be ascertained, the local "Organization for the Maintenance of Peace and Order" is still alone with the brothel which it promised by proclamation to set up to "comfort the people."

Farmers and tradesmen of the district were given three weeks grace in which to acknowledge the Japanese army, or otherwise have their property confiscated and given to the "good people" who have accepted Japanese rule.

## Yangtsze War Lags; Von Falkenhausen Appraises China's Strength

WHILE Japan's and China's armies waged a nip-and-tuck struggle along the north bank of the Yangtsze river, with Hankow claiming a slight advantage, German General von Falkenhausen, former military adviser to the Chinese government who on August 14 arrived in Paris, told newsmen that he considered China unbeatable by any one nation, particularly if that one nation is Japan, whose means and revenue are comparatively restricted.

Said the clever German military strategist who proved the exception to the rule in not condemning China once he left its soil: "China herself does not know her immense resources. When a certain Japanese general said his country was ready for a 20-years war, General Chiang Kai-shek might well have answered, 'China can easily hold out for 50 years'."

**Madame Chiang Kai-shek attends review of Nationalist forces at Hankow.**

Von Falkenhausen offered the opinion that "if Japan is not careful, her army will some day be isolated and worn out, just as Napoleon's army was in Russia in the early 19th century."

But nothing this week gave any special evidence that Japan's army was wearing out. AlthoughChinese claimed they were checking her advance on Hankow, Japan's troops were concentrating at Shuchen and beginning an advance towards the northwest in the direction of Luan and Hoshan. At the same time, troops at Chaohsien started moving in the direction of Shuchen.

Chinese, however, believe that Japan must encounter strong defenses in the hills on the Anhwei-Hupeh border, if they attempt to break through the Machen sector. Large Japanese warship concentrations in the vicinity of Hukow and Kiukiang are believed placed there for operations on Poyang Lake. Japan has placed four warships and transports and 10 motorboats at Shoe Hill, near the neck of Poyang; 30 warships off Hukow; 12 warships and seven transports off Kiukiang.

**Seizure Stirs Tokyo**

What stirred Tokyo this week, however, was the seizure of the Japanese concession in Hankow by the National Government. The *Miyako Shimbun* declared it constituted an illegal attempt to regain a concession that rightfully belonged to the Japanese through unilateral decision. The journal pointed out that the National Government had assured the Japanese authorities that the property of Japanese residents there would be fully protected after the withdrawal of the Japanese consul-general and residents from Hankow last year.

Biggest war news of the week, however, was the bombing of Hankow on Auugst 16 in which 36 Japanese bombers and 20 pursuits planes engaged in a raid which extended over Hanyang nd Wuchang, also. Eighty persons were known to have been killed and 200 wounded.

The water tower was the raiders' apparent objective in Hankow, as the area was heavily bombed. Although it was officially stated that the tower itself had not been hit many casualties were reported to have been inflicted in the vicinity. Wuchang city and a section of Hanyang near the Han River, were also stated to have been heavily raided.

According to an official statement the "casualties in the Wuchang and Hanyang bombings were small as most of the populace had fled from the areas, although the Japanese planes dropped 200 small incendiary bombs."

In connection with the attempt to bomb the Hankow waterworks, interest attaches to an advertisement by the Foreign Residents' Association, which appeared in August 16 newspapers. The advertisement urged residents in the former British, Russian and German Concessions to inquire into and to search for any wells, used or disused, within the Concessions in preparation for a shortage of the water supply.

# Power Politics in the Orient*

(BY A CHINESE CONTRIBUTOR)

THE outstanding factors in the relations of China and Japan have to some extent obscured the interplay of Power politics in the Orient, in which all the Great Powers, including France, Germany, Great Britain, Japan, Soviet Russia and the United States of America, have been involved. The aggressions of Japan have occupied the spotlight to such a degree as to divert attention from the role played by the other Powers not only in the minds of the Chinese but of foreign nationals as well. Some of these less well-known or less obvious operations of Power politics have a decidedly important bearing on the outcome of what to China is the most crucial issue of all, namely, her relations to Japan.

At the outset it may be stated that Great Britain is the Power which pulls the strings in the background, deciding issues involving the lives of millions of Orientals and billions of their treasure. For years before the present outbreak, Great Britain played a double

## FLANK ATTACK ON JOHN BULL

*Elderman in the Washington Post*

role in her Far Eastern policy in that she sought to appease the Japanese while at the same time adopting such a role towards the Chinese as would increase the value and security of British investments in China. Obviously, she hoped to safeguard her interests here before all else, no matter what might be the results of the strife between China and Japan.

But the British attempt to ride two horses at the same time, especially when the two horses did not travel in the same direction, became rather difficult for the Sir John Simons and Sir Samuel Hoares of Great Britain. British aid to China aroused Japan's suspicion and enmity, while on the other hand Chinese leaders did not fail to assess at its proper value the help that was forthcoming from the British. As things went from bad to worse in the struggle of the two Oriental nations, Great Britain found herself forced by the perversity and short-sightedness of Japanese leaders, especially the military ones, to come more and more to the aid of China in order to teach the raging militarists of the Island Empire a much needed lesson. But the British leaders have not yet entirely given over the idea of having the Japanese act as their gendarmes in the Far East in order to preserve British economic interests against a resurgent Chinese nationalism. Indeed, there are British leaders in Shanghai who actually welcomed the Japanese attack in 1932 as serving to teach the Chinese a much needed lesson.

### Anti-British Campaign

Unfortunately for the somewhat unscrupulous planning of British leaders, the Japanese refused to listen to their siren song about the "traditionally friendly relations" and the need of co-operation in the Far East. The visit of Sir Frederick Leith-Ross to China in the winter of 1935 and 1936 thoroughly alarmed the Japanese who saw in the British expert's plan to "stabilize Chinese currency for the benefit of all nations doing business with her" a diabolical British plan to promote China's independence and prevent Japan's dominating her. A campaign of villification of the British followed that has rarely been equalled between two supposedly friendly nations. Japan in alarm at the turn of affairs concluded the Anti-Commintern Pact with Germany.

Great Britain, however, as a realistic, practical and crafty Old Power does not mind a few insults and as late as the spring of 1937 sought to reassure the excited Japanese with a suggestion of some sort of a negotiated "understanding" with Japan. The question of restoring the Anglo-Japanese alliance was much discussed in the Japanese press at that time and a "deal" seems to have been suggested that Britain would recognize "Manchukuo" and Japan's "special position" in North China, while the Japanese as a *quid pro quo* would recognize British interests in Central and South China. It is stated by the British authoress, Miss Freda Utley, in her latest book "Japan's Gamble in China" that certain members of the British cabinet thought that the question of the recognition of "Manchukuo" could be gotten over.

This period of Great Britain's pulling the strings in the Orient in 1936 and 1937 can without exaggeration be fairly said to have encouraged Japanese armed aggressions that began in July, 1937. A writer in the semi-official Japanese quarterly, *Contemporary Japan*, in the December, 1936, issue referred to a plan attributed to Sir Samuel Hoare, which envisaged the political, economic and military co-operation of Britain and Japan. A leading article in *The Times* (London) on May 3, 1937, declared that Britain was fully prepared to recognize the obvious fact of Japan's "special position" in regard to China. The Japanese quickly concluded that they had nothing to fear from Great Britain in respect to their aggressions in China. Even after the hostilities broke out in July Anthony Eden, then Secretary of Foreign Affairs in the British Cabinet, declared that Japan had not deliberately provoked the situation and that he sympathized with Japan's difficulties. This was certainly language not designed to curb an aggressor!

### Underestimation of China

British actions were partly guided, it is true, by their underestimate of the Chinese capacity to resist Japan. British representatives in China sought to persuade China not to resist and to allow Japan to "localize" the conflict, in other words to let Japan get away with the swag. So it would seem that Japan was not the only one who in her contempt and low estimate of all things Chinese underrated Chinese capacity for sacrifice and heroic resistance. But the British miscalculated the situation not only in respect to China but also in respect to Japan, for the latter returned anew to a villification of all things British with resulting attacks on British property rights in China, acts of violence against British nationals including the British Ambassador to China, Sir Hughe Knatchbull-Hugessen, and the firing on British gunboats. Somewhat against their own wishes the British were compelled to support the cause of China and belatedly the Japanese realized that had needlessly —even foolishly—alienated British sentiment.

Britain's temporizing with Japan has gained her little and has even worsened things for herself, particularly in causing widespread suspicion of British motives in the United States of America. The latter country's position is in marked contrast with that of the British. There is reason to agree with Miss Utley who in her book as well in a recent interview at Hankow asserted that Great Britain and the United States could stop the war by means of economic sanctions. The British writer pointed out the dependence of Japan on the British Empire and America for two-thirds of her import trade and one-half of her export trade. In view of the strong stand taken by the American Government on Oriental issues, it seems reasonable to agree with Miss Utley that the United States would support the British Government on the issue of economic pressure if they could be convinced that Great Britain was no longer backing Japan with one hand while playing with China with the other and that Great Britain really wished to stop Japan's aggressions. The belief is widespread in America that Great Britain desires the dismemberment of China, and hence Americans in general react in favor of a policy of isolation and opposition to co-operation with Great Britain merely to "pull British chesnuts out of the fire."

The more generous attitude of Americans in general towards China has, of course, not missed the observation of Chinese leaders. Nor has America's courageous stand lost its effect on Japan, for that country has far greater fear of the United States than of Great Britain and there is an absence of an anti-American campaign in Japan. "The Japanese realize," says Miss Utley, "that with the Americans they must step warily, whereas however much their home propagandists rant against the British, and whatever petty outrages are inflicted on British nationals in China, the British government will continue to damp down popular indignation." There is no ambiguity in regards to America's attitude in the Orient.

**This article is largely based on the material found in Chapter VI in Freda Utley's new book, "Japan's Gamble in China," a review of which appears in this issue.)*

She is not trying to ride two horses and there is obviously no danger to the cause of Young China from that quarter.

### Germany's Position

Another important factor in the Power politics of the Orient is Germany. Following the World War, relations between China and Germany became extremely cordial and Germany came third, after America and Japan, in the foreign trade of China. The Anti-Comintern Pact of Germany with Japan was a shock to the Chinese but it was quickly realized that the agreement was aimed at Soviet Russia rather than China so far as Germany was concerned, for there was not the slightest reason discernible that should prompt Germany to take sides against China. Japan, however, did not use the pact in the manner envisaged by Fuehrer Hitler but regarded it as an instrument to promote her conquest of China. Hitler may have consented to Japan's "special position" in North China but certainly he did not agree to Japan's destruction of Germany's important market in China nor did he anticipate that Japan would involve herself so deeply in the Chinese morass as to make her practically valueless as an ally against Soviet Russia. In some respects Germany, like Great Britain, appears to be backing two horses, namely, trying to secure Japan's aid against the Soviets and at the same time seeking to appease China by supplying her with munitions. Recently, in the German-language press in Germany, Poland and Switzerland, Generalissimo Chiang Kai-shek was extolled in highly complimentary terms as the "*Fuehrer*" of China and was favorably comparde with the national leaders of Germany and Italy, Hitler and Mussolini. So it sees that there are not lacking some important elements of sympathy between Germans and Chinese. As for personal relations between the two groups of nationals in China, they are extremely cordial, (second only to those existing between the Chinese and the Americans.)

The role of Soviet Russia in the Orient can be dismissed very briefly since the controlling factor is the animosities existing between the Japanese and the Russians. The ideology of the Communist common-wealth has been an obstacle to a closer understanding with China, but the force of circumstances has brought the two countries together in common opposition to Japan.

The outcome of the interplay of Power politics in the Orient is the concern not only of China but of all countries having interests here. In the present struggle it now seems reasonable in view of China's unimpaired morale that the latter will actually bring Japan to the point of economic exhaustion before China has been conquered in a military sense. But both countries in the end will find themselves in a weakened condition and that is what (crafty) Britain is waiting for. Then she will attempt to dictate the peace provided she is in a position to do so. She will tell Japan that she must give up most of her territorial gains but she will quite probably also tell China that concessions must be made to Japan in the North. Both Japan and China will be threatened with. British economic pressure if they do not accede to British wishes and perhaps China will be threatened more than Japan because of the latter's naval power in Far Eastern waters. In other words, Chinese must be prepared for an possible attempted betrayal of their interests at the conclusion of the hostilities peace table by Great Britain.

### Diplomatic Support for China

It is not the present writer's aim to urge hostility against British interests in the Far East so much as to oppose a realism and practicality fully equal to that of British leaders in the Power politics of the Orient. It is not a question of damaging the interests of Old Britain so much as preserving the just interests of Young China that concerns all patriotic Chinese. For that reason it behooves the Chinese to assess the actualities of the present situation at their par value and seek to devise suitable counterpoises to frustrate the possible sly schemes of British statesmen. China must not to be behind time in her preparations for winning the honorable peace. (Diplomatic support can be found in America and even in British Dominions if the Chinese Foreign Office will take the trouble to urge China's just claims. And in any case China in the last recourse herself may bring some pressure to bear on the Machiavellian leaders of crafty Old England. China may refuse to accede to British threats and may even devise some reprisals of her own that will bring the British to a fuller realization of what the realities are. Even at the worst China can procrastinate and wait and wait and use a little economic pressure of her own.)

There is not much altruism in the relations of different nations and for that reason Chinese need not get too excited when they become conscious of British guile. But there should be more than a gross materialism in the standards of international morality. China for her part must reward her true friends, especially those who are not merely time-servers to the god of Mammon. This calls for a Chinese orientation in Power politics towards the United States of America, towards Soviet Russia and perhaps towards Germany if the latter does not support the mad Japanese militarists too far in their aggressions. As for Great Britain, it is a case of tit for tat with a hoped hope that that country with France and Holland in her following will sooner or later accept the leadership of the United States of America in the Power politics of the eastern Pacific area, in which case China can safely relinquish some of her support from other quarters whose national ideologies she does not accept.

## Controversy Over Canton and Enderbury Islands Settled

The settlement of the longstanding controversy between England and the United States over the ownership of the islands of Canton and Enderbury of the Phoenix group was announced in London's August 11 papers which characterized the agreement as a diplomatic triumph and a further bond of unity between the Anglo-Saxon countries.

The Anglo-American accord provides for a common administration of the islands for the purpose of international air service, England and the United States both having equal rights to landing fields on the islands and to facilities for landing flying boats in the lagoon of the Canton island which will be enlarged and improved by the two powers.

The press emphasized that the islands are to serve purely as a civil air base and are not to be used for military purposes but the papers here point out that a common administration also implies common defence measures. The *Daily Express* predicted that this may lead to an extensive Anglo-American co-operation in the military field.

The American Ambassador to London, Joseph Kennedy, played a prominent role in the negotiations, and emphasized in both London and Washington that the settlement of the islands controversy was essential to Anglo-American understanding.

## Turkey Angered by Japanese Meeting in Istanbul

A meeting of Japanese diplomatic and commercial representatives in the Soviet Union and the Near and Middle Eastern countries took place in Istanbul behind closed doors from August 7 to 10, with the Japanese Ambassador to Turkey in the chair.

From the beginning, the Turkish press had regarded this conference with unconcealed suspicion. The semi-official *Anatolian News Agency* this week reported that the Turkish Foreign Office sent a note to the Japanese Embassy on the subject. According to the news agency, the note recalled the press reports that the conference was directed against Soviet Russia.

While expressing doubt concerning the accuracy of this assertion, the note said that in view of the particularly friendly relations prevailing between Turkey and the Soviet Union, it would be difficult to suppose that precisely Turkish soil could have been selected for a meeting of conference pursuing anti-Soviet aims. Apart from that, Turkey could neither expressly nor implicitly tolerate within her boundaries conferences directed against any state.

If the conference had been a purely economic one, the note continued, it might have been expected that Japan would have taken steps to inform the Turkish Government of the fact. The note concluded that in the absence of any information concerning the nature of the conference, the Turkish Government feels bound to bring its views to the knowledge of the Japanese Government.

## 600 Killed in Wu Han Air Raid

More than 600 people were killed or wounded during a Japanese air raid on Wu-Han August 11. At 1 p.m., a fleet of 72 Japanese airplanes, divided into three squadrons, appeared over Hanyang, one of the three Wu-Han cities, and dropped more than 200 bombs indiscriminately over the city.

More than 600 civilians were killed or wounded. Many women and children, who attempted to take shelter on junks on the river, outside the South Gate, were drowned, Many corpses are now floating on the river. The property damage was considerable, more than 400 houses having been completely razed to the ground.

Three bombs were dropped on the compound of the Hua Chung University, an American missionary institution, in Wuchang. Four buildings were destroyed. Several temples and churches in Wuchang were also damaged during the raid.

## Unemployed Workers to Operate Printing Plant

A new printing plant to be known as Chung Tung will be opened in Shanghai in the near future, *Domei* reported. Proprietors of the new plant are a group of book company employes who formerly worked at the Chung Hwa Book Company's Shanghai printing plant.

The Chung Hwa Book Company is the second largest Chinese owned firms of its kind in the whole country. Its big printing plant in Shanghai was closed early this year, after which the company's head office was moved to Hongkong. Recently former employes of the Chung Hwa Book Company's local printing plant sent representatives to Hongkong and asked the company to reopen the plant in Shanghai. The meeting so far has been fruitless.

## Contributions Produce 326 Naval Aircraft

Popular contributions enabled the Japanese Navy to construct 236 airplanes in one year, the Tokyo Navy Ministry announced this week. Monetary donations, not specifically designated to be used on aircraft, exceeded Yen 20,000,000 during the same period, the announcement added.

# Penalties for Japan

BY C. Y. W. MENG (孟 昭 泳)

THE holding of the World Anti-Bombing Conference under the auspices of the International Peace Campaign in Paris on July 23-24, which was participated by no less than 30 nations in the world, and represented by more than 1,000 delegates—the first of its kind in history—gives rise not only new hope for the 450,000,000 Chinese who are now resisting the "Aggressor of the East," but also new hope to world peace.

It was an epoch-making event in modern history; and it opens a new era in the annals of the history of mankind. It is more significant than many other international undertaking, such as the organization of the League of Nations after the conclusion of the World War. While the League was promoted and organized by the governments of the participants in the war, the present campaign is promoted and organized purely by the masses the world all over, arising entirely from their guenine desire for peace; and from our common belief that nations, like individuals, are after all inter-dependent upon each other, and that no one should live at the expense of the other.

It indicates that a "mass awakening" of the people in the world is taking place, and that the people have realized the seriousness

## THE MODERN SIR WALTER RALEIGH

*Elderman in the Washington Post*

of the present situation in permitting the Japanese "war of aggression" to go on in China. It indicates the feverish desire and firm determination of the people to take concerted action against aggression in any part in the world.

It indicates the end of the policy of "friendly to both," "wait and see," "non-cooperation," and "isolation," and the substitution for an "active policy" and more dignified and substantive actions against the aggressors. It marks the end of the diplomacy of "protests and notes to Tokyo"—all of them proved failures—and the invocation of "active actions." It indicates that world "public opinion" has now been mobilized, and further crystalized into actions to oppose aggressors.

### Victory for China

It indicates that China has scored another big "moral victory" over Japan, and Japan has suffered another disastrous "moral defeat" on the international battlefield. World public opinion is China's strongest line of defense, and not breakable by Japanese aerial bombardment and artillery fire.

Therefore, the 450,000,000 Chinese, a peace-loving people, but at last forced to fight a "defensive war," welcome such a move. We wish to reiterate to the world that China is fighting for both the cause of her nationalism, and for the cause of the world peace. For this reason, we, the Chinese, consider ourselves only the "vanguards" of the world's armed forces in defense of the "first line of defense of world peace!" And China is now simply the "war fronts" of a "world war between anti-aggression and aggression"; and the other parts of the world are only the "rear lines of defense" of such a war.

Therefore, the Chinese hope that all people in the rear will now arise and oppose all aggressors. No army can carry on a successful war unless the people in the rear back them up.

### Moral Waterloo to Japan

During this year of war with China, Japan has already suffered a series of "moral defeats." In 1933, the League of Nations adopted a resolution of non-recognition of Manchukuo. Later, the League of Nations Union, one of the most world-wide organizations, in a resolution, expressed full sympathy with China; announced its readiness to give every possible assistance to China, and to invoke "collective action" to oppose Japan; and in addition, decided to give a "warning" to Japan.

In addition, there is loud outcry in every corner in the world for a boycott against the Japanese goods. For example: A special meeting of National Council of Labor representing both industrial and political wings of the British Labor government, called for an embargo on Japanese imports, and urged the British Government to invite the American Government to take similar action. The Labor Council, governing trade-unions in New South Wales, ordered on September 30th (1937) a boycott of Japanese goods, and called upon trade-unionists to prevent imports from, and exports to, Japan. The Council also urged the Trade Union Congress in England to declare an "All-Empire Boycott" against Japan. In India, "All-India China Day" was held to express determined support for China.

Further, the frequent "demonstrations" outside of Japanese consulates and embassies in the leading cities and capitals the world to protest against the Japanese invasion of China, and the frequent declarations of "strikes" by the crews of American and British steamers which carried munitions to Japan, etc., are all encouraging signs of world "reactions" against the Japanese invasion. But all these mean a series of "moral attacks" on Japan. All these mean a tremendous loss to the Japanese national prestige and national honor!

At last, on July 24, Japan met another very disastrous "moral defeat" when the World Anti-Bombing Conference adopted the famous "Four Resolutions" which call for bitter condemnation of the Japanese aggression in China, invocation of the Nine-Power Treaty, Anti-War Pact, the Convenant of the League of Nations, and the Resolution of Non-Recognition adopted by the League of Nations, granting of assistance to China; and boycott of Japanese goods and embargo of munitions and oil to Japan! We shall, therefore, say that it is more than a disastrous "moral defeat" but it is a "moral Waterloo" to Japan, which is sure to cause a complete collapse of the Japanese Manchurian adventure!

But the Chinese hope the world will now rise up, double their efforts and take stronger and more concrete measures towards the *immediate realization* of these Four Resolutions.

So while the Japanese militarists, imperialists and fascists continue to drive on for Hankow and Canton, and bombard the Chinese cities, causing death among Chinese civilians in addition to committing many atrocities, the more candid Japanese at home, as well as far sighted people in the world, have already realized that the further the Japanese drive on, the more deeply they will fall into the quagmire from which they will never recover.

### China Determined To Fight

That bombing of undefended cities and non-military districts is never justifiable; is prohibited by International Law; is against public opinion; is against humanity, goes without saying. Therefore, we prefer not to dwell much on this point, but turn our attention to discuss briefly sanctions and boycotts against the Japanese.

Mr. John C. de Wilde, in his well-penned article on "Can Japan Be Quarantined?" published by the Foreign Policy Association in New York (see Foreign Policy Reports, December 1, 1937) said inter alia that Japan is somewhat in different position than Italy, so while the economic sanctions which were invoked to oppose the Italian aggression in Abysinnia might prove not so effective, it might prove quite effective to Japan for two reasons: First; Japan is probably somewhat more dependent on the outside world than Italy. Should Japanese exports fall off, they would almost immediately have to reduce imports of raw materials. Secondly, Japanese foreign trade is more evenly distributed than that of Italy. It would take fewer countries to make economic sanctions effective.

But in conclusion, Mr. de Wilde raised two questions and said inter alia that "Interpretation of all the available data leads to the conclusion that economic sanctions by a number of countries might, under certain circumstances, bring Japan to terms . . . . They would need the participation of the United States, the British Empire, Netherlands and, even if only for moral effect, France and the Soviet Union . . . . The measures adopted would have to include an embargo on all raw material shipments to Japan, and probably a boycott of Japanese goods . . . . Even then they would probably need to be sustained for a period of at least nine months to one

year . . . . Secondly, the efficacy of sanctions would also depend on China's ability to hold out against Japan."

Regarding these two questions, the Chinese wish to assure the world that China is confident of holding out against Japan *to the last*. Generalissimo Chiang Kai-shek, at the outbreak of the war, had already told the nation that "once the war breaks out, China will not stop fighting at the mid-way." The Generalissimo, in his interview with foreign pressmen on June 9 in Hankow, further reaffirmed that "should the Japanese aggression in China not be halted, the Chinese war to oppose Japan would never cease!" The writer of this article, in interviewing all ranks and file of Chinese officials and military officers, also was told that "China is sure to fight to the last, even when there is only one man and one inch of territory left," or "even when Chinese has to withdraw to Yunnan. So the important and urgent question is not whether or not "China would hold out against Japan," but rather whether or not there is "determination" and "co-operation" among these powers to take such a measure to oppose the "Aggressor of the East"!

### The Answer is "Yes!"

To the Chinese, when this question—"Can Japan Be Quarantined?"—is raised, the answer is in the strong affirmative. It is expressly provided in the Convenant of the League of Nations (Article 16); it was invoked before, and what it requires now is the "courage" and "determination" to enforce it. Individual but determined and concerted boycott of the Japanese goods is sufficient to bring about an economic breakdown to Japan. When we are determined to do so, our action is bound to have some repercussion in the government policy and action. We are living in democratic countries where public opinion counts a great deal.

China also calls the attention of the world to what was said by Col. Henry L. Stimson, former U.S. Secretary of State, in his lengthy letter to the *New York Times* (condensed and re-produced in *The China Weekly Review*, January 15, 1938) when he inquired "about U.S. help to Japan." He said: "The lamentable fact is that Japan's aggression is being actively assisted by our own nation and another great democracy, the British Commonwealth. Indeed, without our assistance the aggression would be promptly checked!"

There is certainly much truth in his statement. Japan is peculiarly dependent upon the outside world. She is lacking in the raw materials from which to manufacture munitions. She has no supplies of oil worthy of mention. The United States and the Netherlands East Indies supply the bulk of the mineral oil, with the British Empire and the Soviet Union contributing nearly all the remainder. Well over half of the pig iron imports come from the U.S. and the British Empire, and almost all of the scrap as well as other iron comes from the U.S. and Canada. America accounted for 80.5 per cent of the aluminum imports in 1936; the British Empire and the U.S. for 69.7 per cent of the lead and 84.4 per cent of the zinc; the U.S. alone for 96.8 per cent of the copper; and the British Empire for 72 per cent of tin. The U.S. supplied 39 and the British Empire 46.8 per cent of Japan's cotton imports, while 91.3 per cent of the wool came from British sources. The U.S. and Britain also furnished half of the machinery imports, and America 94 per cent of Japan's foreign purchases of automobiles and parts.

All these mean "help to Japan," "gifts to the aggressor," to break down more international treaties and aggresments, and to increase the sufferings of the victims of the aggression. All these also mean assistance to the aggressor to endanger the lives and property of the third party in China. The Japanese machine-gunners who wounded the former British Ambassador to China were probably using British ammunition manufactured in Great Britain!

The Japanese planes which sank the U.S.S. Panay and three other American vessels were probably using the American oil imported to Japan! So the 450,000,000 Chinese unanimously demand that *let first of all render no help to Japan!* It was well put by Col. Stimson when he said: "So I say that the first glaring fact is that China's principal need is not that something should be done by outside nations to help her but that outside that *outside nations should cease helping her enemy!*"

But there is another aspect of this problem which is of equal importance. As pointed out by the Generalissimo in his interview with foreign pressmen, "when friendly powers come to oppose the aggressor, it can then be said that they are discharging their 'treaty obligations' towards the victim state; and that they are exercising their 'treaty rights' towards the aggressive state."

In other words, to put it plainly, the signatory powers are under "treaty obligations" to take some concerted actions, such as sanctions or boycott against Japan. It may be pointed out here that the very reason for the sudden recall of the German advisers in China is that the Japanese have asked Herr Hitler to fulfil his obligations under the German-Japanese Anti-Communist Pact "not to render help to China" with whom Japan is fighting. So the Chinese ask that friendly powers also cease to help Japan with whom China is fighting desperately!

### Mineral Sanctions Against Japan

The Chinese contend that if economic sanctions are too complicated to be feasible and enforceible *at once*, at least "mineral sanctions" should be immediately invoked to oppose Japan! The mineral sanctions will not involve a general upset in world commerce and finance; it would not seriously affect the prices of civilian necessities, even in the country that is penalized; trade in all commodities, except in minerals, would continue with all countries.

The U.S. and the British Empire together control 70 per cent of the world's supply of sixteen important and strategical minerals out of seventeen minerals, and produce two-thirds of the 2,000 million tons of minerals that the world consumes annually. As indicated above, the U.S. and the British Empire together are two principal sources of supplies of raw materials to Japan. Therefore, China asks for "Anlgo-American co-operation" and also for "French-Soviet Co-operation" to make the sanctions effective.

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# Hankow Government Acts to Improve Currency

SHANGHAI Customs revenues deposited with the Yokohama Specie Bank amounted to more than $11,000,000 in June and July this year, *Domei* reported. Following the signing of the Anglo-Japanese Customs Agreement, a new customs import tariff went into effect June 1 this year. At the same time the customs authorities started to deposit the customs receipts with the Yokohama Specie Bank instead of the Hongkong & Shanghai Banking Corporation.

### Government to Recall Subsidiary Notes

In an attempt to further strengthen Chinese currency, the Hankow Ministry of Finance in a circular order to the provincial governments asked for detailed reports regarding the amount of subsidiary notes issued by the provincial banks. Those provinces where no subsidiary notes have been issued, detailed reports must be submitted to the Central Government regarding their financial situation and whether there is any necessity to issue subsidiary notes. All these reports must be handed in before the end of August.

According to present plans, the Ministry of Finance will instruct the Government banks to call back all the subsidiary notes issued by the Kiangsi, Chekiang and Anhwei Provincial Banks and substitute them for circulation by the subsidiary notes issued by the Government banks.

In order to improve the rural economy in the interior provinces, Chinese banks in Shanghai have organized a total of 322 branch offices in Szechuan, Hunan, Kwangtung, Kwangsi, Yunnan, and Kweichow Provinces, after the outbreak of hostilities last fall. In addition there are 33 commercial banks in the Southwestern provinces with their head offices in the Southwest. These southwestern banks have a total of 167 branches in the various provinces The big banks with branch offices in the southwestern provinces are:

| | | |
|---|---|---|
| Central Bank of China | 15 | branches |
| Bank of China | 37 | ,, |
| Bank of Communications | 6 | ,, |
| Farmers' Bank | 36 | ,, |
| Shanghai Commercial & Savings Bank | 9 | ,, |
| Kincheng Banking Corporation | 8 | ,, |

In addition to the Chinese banks, 18 foreign banks have a total of 26 offices in the southwestern provinces. These banks are concentrated in Canton, Sawtow, Kunming and Hongkong.

As the result of the withdrawal of Chinese troops from the coastal cities, the Chinese Government has found it impossible to collect consolidated taxes. Instead of collecting the tax at the place of production, commodities manufactured in the Japanese-occupied areas will hereafter pay consolidated taxes to the Government at the first city of entry into the Chinese occupied area, according to a recent order of the Ministry of Finance.

### Copper Coins Smuggled Out to Japan

It is estimated by Chinese circles that copper coins amounting to 7,000,000 pieces have been smuggled out from the Chinese ports every month. These large quantities of copper coins were collected by the Japanese arms manufacturers. In Kiangsu and Chekiang alone, it is reported, about 4,000,000 piece of copper coins are smuggled out from Shanghai every month, capable of manufacturing 3,000,000 rounds of ammunitions.

### Nanking City Bank Planned

Nanking, seat of the "Reformed Government," will soon have a municipal bank of its own under a plan drawn up by Mayor Jen Yuan-tao and his staff. The establishment of a municipal bank in Nanking will meet one of the urgent needs of the merchants, many of whom are in need of financial assistances for reopening their shops, but who are unable to secure such aids because of a lack of banking facilities, *Domei* said.

At present, only small loans not exceeding a few hundred dollars in amount are granted to help traders to make a fresh start in their business through a charitable organization operating in Nanking. The rule of the organization is that individuals can obtain loans up to $50 while a group of ten persons can obtain a loan up to $300. Applications for these small loans are received by the organization almost daily.

# President Quezon and His 'Negotiations' with Japan

TOKYO'S most distinguished visitor in mid-July was Manuel Quezon, president of the Philippine Commonwealth who said he came to Japan for a vacation. However, there were others who thought otherwise.

The *New York Herald Tribune's* correspondent, Wilfred Fleisher, cabled that Quezon came to get—and got—assurance from Gen. Kazushige Ugaki, foreign minister, that Japan had no aggressive designs on the Philippines. But Queson isn't supposed to control Manila's foreign policy until the United States gives the islands their independence in 1946.

Quezon became so annoyed over the *Herald Tribune's* story that he refused to receive Fleisher even to deny the yarn, as he did deny it to other correspondents. The little president left Tokyo

**"PHILIP IS AFRAID!"**

*Shoemaker in Chicago Daily News*

**"Gee Whiz, Can't a Fella Change His Mind?"**

in a huff, and when he reached Manila on July 19, he immediately made a broadcast to the United States.

In his broadcast, he told the American public that it was all a lie, and that he did not make the trip to negotiate with Japan regarding the future status of the Philippines. He declared that the report had emanated from "an American correspondent gifted with a highly fantastic imagination."

Pointing out that the United States government exercises full control over the Commonwealth's foreign affairs, he said that any neutralizations would have to be made by the United States. He added that it was common knowledge that on several occasions Japanese Foreign Office officials had let it be known that after the enactment of independence, Japan was ready and willing, if invited, to be a signatory to a treaty of neutralization.

President Quezon lengthily defended the extensive Philippines armament program, asserting that the islands are preparing for national defense, not because of the fear that any nation has untoward designs agianst the country's independence and territorial integrity, but because "it is a primary function of every government to insure its own protection."

**P.I. Is No Menace**

Further, he stressed that the archipelago does not constitute a menace to any nation and that it cannot help any nation's self-defense "unless we become a part of that nation by our own initiative and will." Apparently referring to the problems created by the vast number of Japanese in the Philippines, he emphasized strongly that an independent Philippines must have due regard for the rights of foreign nations and their nationals who are living in and trading with the country.

Terming the Sino-Japanese conflict as unfortunate, he admitted that the struggle had aroused deep Philippine sympathy for the sufferers left in its wake.

**Ramos Leaving Japan**

Another Filipino scheduled to leave Japan in August was Benigno R. Ramos, leader of the Sakdalist Party in the Philippines, who has been a voluntary exile in Tokyo since 1934. Ramos, in announcing his planned return to Manila, denied that he is a fugitive from justice.

In a statement to newspaper men he hinted that political offenders still in jail in the Philippines may be pardoned as a result of negotiations between him and President Manuel Quezon.

"I left Manila with my party of secretaries on Nov. 26, 1934 when thousands of people give us a warm send-off," he told newspaper men. A public meeting took place at the Luneta before we embarked and I was the principal speaker then. There were not any kind of charges or suit filed against me then to justify an allegation that I was a fugitive from justice, otherwise the Philippine authorities would not have allowed me to have my passport, my traveling ticket, the Sakdalist parade and the Luneta meeting.

"Circumstances detained me in Tokyo longer than expected. One of these was my wife's ill health. When I and my secretaries were preparing to leave Tokyo for the United States the so-called Sakdalist revolt occurred, with the result that American ports were closed to us.

"During my brief interview with the President of the Philippines, I did not think it proper for me to tell his excellency about my personal affairs. All I asked was that political offenders still in jail and those political cases still pending be pardoned to efface once and forever the regrettable causes that gave rise to those regrettable consequences, which I repeated in my radiogram sent to his excellency on July 13. I am an innocent man and still have faith in the power of justice. I return with a tranquil conscience and with the conviction that I have contributed my best to the cause and welfare of my people."

**Philippine-"Manchukuo" Agreement**

Bearing on Philippine-Japan relations was the announcement from Hsinking on August 5 that on that day "Manchukuo" post-office authorities started accepting postal money orders from the Philippine Islands' post-offices as a result of an agreement between "Manchukuo" and the Philippines. "Manchukuo" postal money orders will be accepted by the Philippines post-offices in the near future. At present, postal agreements are in effect between Manchukuo and Japan, Germany, China, Holland, the Netherlands, East Indies, Switzerland and Hongkong.

## War Changes China's Underground Life-Savers

The test of a cake is in the eating; the test of a dugout is naturally a bomb. Before the hostilities started, dugouts were practically unown unknown in China. Anyone who thought of spending his hard won money on a reinforced concrete cellar or a bomb proof shelter in the garden would have been considered crazy. But before the Sino-Japanese war had been many days old, dugouts sprang up like mushrooms everywhere in China. The indicriminate bombing of the Japanese planes had made this form of architecture an absolutely necessity.

As is to be expected, there is great difference both in the appearance and efficacy of the dugouts. They vary from a subterranean palace built of steel-concrete, complete with telephone installations and electric and toilet facilities, to trenches roofed with timber and mud. Before the evacuation of Nanking, it was quite the fad to show people the newly completed dugouts. Both the hosts and the guests were just as interested in the accounts of these underground structures as they would be with a Ming scroll or a Tang jade. Nanking had some of the best dugouts in China. Cut deep into mountain sides, they were quite indesctructible.

However, the majority of the dugouts simply piles of unromantic mud. A hole of varying depth and size is dug into the ground and dirt is heaped above a wood frame. In the minds of the ordinary people such a structure is quite sufficient to stand the attack of an air bomb. But the experience of the July raids in Wuchang, Hankow's vis-a-vis across the Yangtsze, showed that in case of an air attack in the neighborhood, a wrongly built dugout is little less disastrous than a direct hit.

It has been found that when even a small air bomb falls as far away as 30 to 50 meters, a poorly built top-heavy dugout will cave in and bury the inmates. In a recent raid on Wuhan, two dugouts of the ordinary type were hit directly by bombs. Both caved in and buried all its occupants.

It has been computed that to every person dying from bomb shrapnel, ten others die from concussion, flying glass, crumpling masonery, and falling bricks, etc. For protection against such risks, a dugout with a thin layout of dirt of sand, measuring some fifty centimeters in thickness, is considered safe.

## Chinese Ships Are Registered

Japanese naval authorities have decided to control Chinese shipping in prohibited areas by means of a registration system, Tokyo announced last week. The Federated Shipping Bureau established for the purpose at Tsingtao by the Special Service Section of the Navy has completed the registration of four Chinese junks and Chinese steamers with a tonnage of 50,000. If registered at the Bureau, Chinese ships are given permits for navigation.

# Outstanding Events in the Sino-Japanese War

## A DAY-TO-DAY SUMMARY

*First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th issue of The Review.*

July 8.—Chinese claim recapture of important positions at Hukou, Matang and Pengtseh on southern bank of the Yangtse in counter-offensive.

People flee as fighting draws nearer to Kiukiang, wire barricades and sandbag redoubts erected in streets. Severe fighting proceeding in Hukou-Pengtseh area, with Chinese forces attempting to check Japanese advance.

Japanese **Domei** reports Chinese troops massed in various parts of Shansi province prepared to engage in guerilla warfare against the Japanese total 40 divisions.

July 8.—Japanese Consulate-General in Shanghai presents demand to Shanghai Municipal Council that immediate steps be taken to prevent recurrence of terrorist activities on first anniversary of Sino-Japanese hostilities. Dissatisfaction expressed with measures taken by the Council.

Shanghai Municipal Police deny asking aid of Japanese search parties in Settlement yesterday, Japanese military authorities maintain that such search parties, consisting of military police in plainclothes, were sent to the Settlement at the request of the S.M.P.

The Japanese-sponsored Nanking "Reformed" Government also protested to the Council, stating that Chinese patriotic activities in the Settlement are mostly directed against officials of the Nanking regime.

July 8.—Some $790,000 collected in Hankow on first day of "Officer Gold to the State" campaign sponsored by Madame Chiang Kai-shek.

July 8.—Party of 29 German military advisers to Chinese Government arrives at Hongkong from Hankow en route to Germany.

July 8.—The British, French, American, Belgian, German, Italian and Russian Embassies planning to remove to Chungking, in view of Japanese threat to Hankow.

July 8.—Shanghai virtually encircled by Chinese guerillas bands of varying numbers, according to farmers entering the International Settlement from Japanese-controlled countryside. Pootung, Kiangwan and Chapei scenes of frequent clashes. Machine-gun and artillery audible at times inside the Settlement.

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July 9.—Japanese troops at Hukou reported moving southwards in motorboats into Poyang Lake, apparently attempting to outflank Chinese defenders at Kiukiang or threaten Nanchang, capital of Kiangsi province.

Chinese reports state that situation along the Yangtse eased considerably due to heavy rains. Many districts in central Anhwei flooded, seriously impeding movement of troops.

Heavy fighting at Chiyuan, on north bank of Yellow River in northwestern Honan, opposite Loyang. Despite repeated Japanese attacks, Chiyuan remains in Chinese hands.

Japanese warships on the Yangtse and airfield at Anking bombed (yesterday) by Chinese aircraft in four raids. Damage inflicted unascertainable because of heavy rain.

July 9.—Evacuation of all foreign ships from 80-mile stretch of Yangtse River above Hukou demanded in note presented by Japanese naval authorities to diplomatic representatives of Third Powers.

July 9.—Severe fighting occurs between Chinese guerillas and Japanese troops near Tsingtao.

July 9.—Joint statement issued by Japanese Naval and military authorities declared that owners of Chinese factories in Japanese occupied territory must either submit to joint Sino-Japanese management or have "temporary" Japanese operators appointed to manage for them.

July 9.—According to **Havas** report from Washington (July 8), since the start of Sino-Japanese hostilities, China has bought U.S.$12,559,741 worth of war materials, while Japan in the same period bought materials for U.S.$7,664,413.

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July 10.—Two of three Japanese warships which steamed up the Yangtse and shelled Kiukiang were bombed and sunk by Chinese aircraft, according to communique issued by Hankow Chinese military headquarters.

July 10.—Chiyuan, in northwestern Honan, on north bank of Yellow River, opposite Loyang, occupied on July 8 by Japanese forces; the Japanese are now moving towards Fenmenkou, the Yellow River crossing opposite Loyang.

July 10.—Senator Pitman, Chairman of the U. S. Senate Foreign Relation's Committee declared in statement issued yesterday: "I think this year of warfare in China has aroused on the part of the American public a serious prejudice against the Japanese government and a growing desire to aid China."

State and Naval Departments decide to continue protection of United States citizens in China war zones despite Japan's latest warning against passage of foreign vessels on Upper Yangtse.

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July 11.—Severe fighting going on 14 miles below Kiukiang, gunfire audible two miles east of Kiukiang. Japanese troops attempting to force their way southwards into Poyang Lake, but their advance meeting with stubborn Chinese resistance.

All foreigners in Kiukiang have been evacuated. With the Japanese utilizing all available troops for their drive on Hankow, leaving only small garrisons in the rear, Chinese mobile units have become intensely active, especially in northern Anhwei and Northern Kiangsu, according to Chinese reports.

July 11.—"Japan will flatly reject any intervention by any third Power at any time in her hostilities in China, —statement by spokesman of Japan's Foreign Office.

July 11.—Arms for Chinese National Government continue to pour into China from abroad through Hongkong, stated Japanese army spokesman in Shanghai. In last several weeks, 31 vessels carrying war materials for China arrived at Hongkong, of which 14 were of British registry, 7 German, 3 American, several of French and other nationalities.

July 11.—Evacuation by third party nationals of following seven designated areas demanded by Japanese military authorities in note to diplomatic representatives of various Powers:

Sinyang, north of Hankow on the Peking-Hankow railway, and its vicinity;
Hankow, and its vicinity;
Kiukiang, and its vicinity;
Nanchang and its vicinity;
Ikiawan, near Chuchow, where the Hangchow-Nanchang railway joins the Canton-Hankow railway;
Changsha and its vicinity;
Yochow, at the mouth of Tungying Lake, southwest of Hankow.

July 11.—Puppet "Automonous Organ" set up by Japanese military at Anking, capital of Anhwei province.

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July 12.—Two hundred persons reported killed and wounded at Wuchang in air attack staged by 18 Japanese bombers, escorted by about 50 pursuit planes, dropping over 100 bombs. No Chinese planes went up to meet the raiders. One wing of Hupeh Provincial hospital completely demolished by direct hit, crushing many patients to death. Six bombs fell on compound of building of Christian and Missionary Alliance, killing two Chinese in couryard. Two bombs landed near St. Hilda's hospital. Four bombs landed near Boone University and St. Joseph's hospital.

July 12.—Casualties in today's Japanese air raid on Canton totalled 61, comprising 23 dead and 38 wounded. Wongsha Railway station area hardest hit, where 150 houses destroyed.

July 12.—Situation at Kiukiang said eased with arrival of fresh Chinese reinforcements. Fierce battle raging at point 10 miles below Kiukiang, in vicinity of Lion Hill. Chinese troops at Shoe Hill, which guards the entrance to Poyang Lake, continue to check Japanese advance southward from Hukou.

July 12.—Peter Prevot, British subject born in Hongkong, detained by Chinese military authorities in Wuchang since June 28 on charge of being engaged in spying activities on behalf of Japanese army.

July 12.—Japanese aircraft carrier sunk by Chinese "mosquito" torpedo boat south of Ladrode Island off Kwangtung coast some three weeks ago, according to report in **The China Press** quoting reliable foreign source.

July 12.—The Swedish Mission at Ishi, situated in south Shansi in Yellow River Bend about 50 miles north of Tungkwan, bombed during Japanese air raid on June 30, according to belated report received at Sian, capital of Shensi.

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July 13.—Fierce battle continuing along south bank of Yangtze river between Kiukiang and Hsiangshan. Fighting also continuing between Hukou and Pengtseh. Japanese attempt to enter Poyang Lake frustrated by Chinese shore battery.
Kiukiang defence strengthened with arrival of Cantonese reinforcements commanded by Gen. Li Han-huan. Kiukiang quiet.
Chinese forces operating in Northern Kiangsu recapture Yencheng, on the coast.
Japanese launch third large-scale offensive in Shansi since November last year. Japanese garrisons in several cities in southern Shansi surrounded by Chinese troops for some two months and compelled to eat dogs, cats and other animals to ward off starvation. Japanese claim that their garrisons in some of these cities have been relieved. Pucheng reported occupied by the Japanese. Chinese forces launch counter-attack.

July 13.—Over 326 civilians officially reported killed and wounded as result of extensive Japanese air raid over south Kwangtung. In a concentration camp in Tsengcheng (on Canton-Waichow highway) alone, more that 240 casualties were inflicted. Canton itself also raided; over 20 bombs dropped in vicinity of government offices; casualties unknown.

July 13.—Majority of Germans are friendly toward China, stated Admiral Retzmann, president of Society for Research in Chinese Problems in Berlin, in speech at farewell given to Dr. Cheng Tien-fang, retiring Chinese Ambassador to Germany. China's vigorous resistance against the Japanese lauded; genius of Gen. Chiang Kai-shek said making deep impression everywhere.

July 13.—Large Chinese guerilla forces landed on Namoa Island, off Swatow, on night of July 11 and counter-attacking the Japanese marines there.

July 13.—M. Tani, Japanese "Minister-at-Large", returned (July 12) to Shanghai from Tokyo after conferences with Foreign Office officials.

July 13.—The People's Political Council which has been in session at Hankow since July 6 adopted resolution pledging support to National Government in its program of armed resistance against Japan and national reconstruction. Chinese Communist and National Youth Parties pledge whole-hearted support to Government. Improvement in conduct of the Government's foreign policy, of diplomatic personnel abroad and international publicity urged.

July 13.—Japanese population in Shanghai totalled 31,020 up to end of June, 3,000 more than the figure prior to outbreak of hostilities here last year.

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July 14.—Twenty-one Japanese war vessels sunk and 19 damaged along lower Yangtse as result of Chinese air bombing during past fortnight, Chinese Army communique announced. Four Japanese warships sunk this morning in vicinity of Tungliu, according to announcement by Chinese Aviator Headquarters. **Kiangnin**, 200-ton Chinese gunboat, said bombed and sunk by Japanese naval air craft in Poyang Lake on July 13, according to Japanese report.

July 14.—Casualties in today's Japanese air raids on Canton totalled some 300, including 96 dead, 60 missing and 144 wounded. Other estimates place the casualties at 150 killed and 480 wounded.
Swatow raided by lone Japanese seaplane; no casualties reported.
Hankow raided by Japanese aircraft three times. Airdrome bombed; no casualties reported.

July 14.—Heavy fighting continuing in South Shansi, following resumption of Japanese offensive there. Chinese forces said determined to "stick it out" in South Shansi. Chinese troops now concentrated in Taihang Mountains in South Shansi and fighting under most trying conditions. Chinese forces commanded by Gen. Wei Li-huang.
Chinese guerillas active in Shantung, in vicinity of Taian, on Tientsin-Pukow Railway.
Situation on Hukou front quiet; Japanese massing heavy reinforcements along south bank of the Yangtse, preparing for drive up the river.

July 14.—British Government is not prepared to make loans to China, according to official circles in London. Question debated in House of Commons; Sir John Simon, Chancellor of the Exchequer, said: "The Government had no power to grant or guarantee a loan without special legislation, which in the present circumstances the Government had not seen its way to introduce."
Arthur Henderson, Labor Member, said in House of Commons that he was in possession of information that Japanese employers were distributing opium to their Chinese employees in China in lieu of regular wages.

July 14.—Chinese guerillas, belonging to 8th Route Army, occupied Peiping Power Station for about two hours on morning of July 7, according to **Reuter** report from Peiping. After having arrested some 30 Chinese gendarmes and taken away their arms, the guerillas withdrew. No damage done to the power station.

July 14.—That foreign munitions merchants be restrained from selling war supplies to the aggressor State, is urged by Presidents of 20 Chinese universities in joint appeal to various cultural organizations of the world. Appeal stated that Japanese airplanes have deliberately bombed Chinese cultural institutions and open cities.

July 14.—Return of third-party nationals to their homes in Central China under Japanese armed occupation will have to wait for the restoration of moral conditions there, declared spokesman of Japanese Navy Ministry in Tokyo.

July 14.—Resolution—calling for support of the Outline of the Campaign of Resistance and National Reconstruction adopted by the Extraordinary National Congress of Kuomintang Delegates in April last—adopted at 6th session of the People's Political Council (July 13).

July 14.—One thousand liters (about 220 gallons) of cholera vaccine will be donated to China by the U. S. Government, according to report from Washington.

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July 15.—Kiukiang remains quiet, although practically entire Chinese population has evacuated city. Section of Chinese Bund or waterfront blown up for strategic reasons.
One Japanese warship and two motor-boats sunk (yesterday) by Chinese shore batteries in vicinity of Hukou, 18 miles below Kiukiang.

July 15.—Railway Station at Nanchang, capital of Kiangsi, bombed by Japanese planes; damage said slight... Squadron of 20 Japanese planes attempting to raid Hankow intercepted by Chinese pursuit aircraft and forced to retreat before reaching Hankow.

July 15.—Rumor of Sweden's mediation of Sino-Japanese hostilities denied in Stockholm. Present trip of Swedish Minister to Hankow said for routine business.

July 15.—New Soviet-"Manchukuo" border incident occured July 12 near Hunchun, where 40 Soviet troops were alleged to have crossed into "Manchukuo" territory, according to reports from Mukden and Tokyo. Incident took place at Changkufeng (Hill).

July 15.—Rejection by British Government of loan to China is due to Britain's fear of Japan, says London **Daily Herald**. The paper urges: "We owe it to the women and children of Canton to make China a loan—far it is only by such a loan that China can get air defenses to protect her population from Japanese bombers."

July 15.—The People's Political Council adjourned after 10-day session. Resolution adopted providing for establishment of similar councils in various provinces and municipalities. In lengthy manifesto, the Council appealed to people of all classes to present a "united front and strengthen China's resistance, thus bringing the present hostilities to a successful conclusion and paving the way to national reconstruction."

## Nanking City "Government" Income Increases

Monthly income of the Nanking city "government" is rapidly increasing following the reorganization of tax collection offices in that city, according to *Domei*. The city government's finance department revealed that the total income for July reached more than $50,000, which was five times as much as that of May and double that of June.

Municipal authorities of Nanking expect a further increase in tax collections when buildings in the new residential district have been completed and occupied.

## Inland River Shipping Services to Be Resumed

All inland river shipping services with Shanghai as the center, which are now suspended, will be again in operation very soon, *Domei* reported this week. On August 16 the service between Shanghai and Sungkiang, Minghong ann Pinghu was to be resumed. It is expected that service to Hangchow, Nanzing and other important inland places will be resumed very soon. The newly-organized Japanese Inland River shipping firm will operate all the inland water routes, the reports stated.

# Who's Who in China

孔令侃字剛父
**Kung Ling-kai**

Kung Ling-kai, Government official; native of Taiku, Shansi; born at Shanghai, Dec. 10, 1915; B.A., St. John's University, Shanghai, 1937; Special Secretary, Ministry of Finance, National Government, since March, 1937; Member, Board of Directors, Bank of Communications, since April 1937; Member, Trade Readjustment Committee, Military Affairs Commission, since October, 1937; Member, Board of Directors, New China University, since November, 1937; Managing-Director, Central Trust, since December, 1937; Director, Wenchi Paper Manufactory, Ltd., Ministry of Economics, since July, 1937; address: Ministry of Finance, National Government, Chungking, or 383 Route de Sieyes, Shanghai.

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吳思豫字立凡
**Gen. Wu Shih-yu**

Gen. Wu Shih-yu, military officer; born at Kashing, Chekiang, 1886; gradutaed from Kashing Middle School, Chekiang Military Institute and Military Officers' College, Japan; Director, Training Department, Whampoa Military Academy; Commander, Changchow Forts, Kwangtung; Director, Military Affairs Department, Chekiang Provincial Government; Director, Administraitve Office, Headquarters of the Generalissimo of the Land, Navy and Air Forces; Commander of Gendrames of the National Government and concurrently Mayor of Tsingtao; Commissioner of Constabulary, Nanking; Senior Staff Officer, Provisional Headquarters of the Generalissimo, Nanchang; Senior Staff Officer, Military Affairs Commission; Vice-Director, Administrative Office, Military Affairs Commission; Military Affairs Commission; address: National Government, Hankow.

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# How the Lord Mayor's Fund Aided China's Sufferers

NOT long after the outbreak of hostilities in the Shanghai area in August 1937, with which began the enormous influx of Chinese refugees into the International Settlement and French Concession, it was realized by the Joint Committee of the British Chamber of Commerce and China Association, Shanghai, that the community was faced with a very grave problem as to how these homeless and helpless people were to be housed and fed.

In England in times of national disasters brought about by natural causes, such as floods and famine, it has been customary to open what is hnown as a "Lord Mayor's Fund" and it occurred to the Joint Committee that the civilian refugee problem in China might be made one of those occasions. Negotiations for the opening of such a fund were commenced by cable with the Committee of the China Association in London in September 1937, and through the earnest endeavor of that committee, the Lord Mayor of London agreed to sponsor a fund for the assistance, primarily, of Chinese refugees, but also include British and those of other foreign nationals in China who were in distress as a result of the hostilities.

The Lord Mayor's Fund for the Relief of Distress in China was accordingly started in London, under the Administration of The British Red Cross Society, The China Association and The Conference of British Missionary Societies. It was decided to establish a Central Executive Committee of the fund in Shanghai and the first meeting was held at the British Consulate-General November 9, 1937, under the chairmanship of Sir Herbert Phillips, K.C.M.G., H.M. Consul-General.

Since the opening of the fund, however, the following changes on the committee have taken place owing to departures from Shanghai: H. E. Sir Archibald Clark Kerr, K.C.M.G., H.M. Ambassador to China has taken the place of H. E. Sir Hughe Knatchbull-Hugessen, K.C.M.G., Mrs. E. F. Hardman, the chairman of the British Women's Association has taken Mrs. J. S. Whitney's place, and Mr. G. S. Dunkley of the Hongkong & Shanghai Banking Corporation has taken on the post of Honorary Treasurer in the place of Mr. E. W. Stagg. Dr. J. Lee H. Paterson, Superintendent of the Lester Hospital for Chinese, has also joined the Central Executive Committee. Executive Committees were also appointed in the following Ports, (H. M. Consuls-General in each case being the Chairmen). The ports were Hankow, Tientsin, Tsingtao, Canton and subsequently sub-committees at Swatow and Amoy.

### Committees Nominated

The first work of the Central Executive Committee was to nominate four investigtaing committees to assume charge of the work under the four main headings of relief for which the fund was established namely: Chinese Refugees, Hospitals and Medical Supplies, British Sufferers, International Sufferers.

It has been the business of these committees to deal with all appeals and investigate cases brought to their notice and to place their recommendations before the Central Executive Committee at their weekly meetings. Thus the machinery was established to administer the Lord Mayor's Fund throughout China. The appeal met with a speedy and generous response in England and contributions in money, clothing and medical supplies flowed in and have continued up to the present day.

It was seen that the most convenience center for the distribution of medical supplies and clothing would be Hongkong, and the Governor of Hongkong appointed a Medical Supplies Control Committee to handle this work, consisting of Mr. G. C. Pelham, Commercial Secretary, Dr. J. H. Montgomery of the Matilda Hospital and Mr. T. Low, of Messrs. Butterfield & Swire's staff. After Mr. Pelham's departure from Hongkong, Dr. J. H. Montgomery assumed the duties of Chairman of this Committee. They have handled in all some £20,000 worth of medical supplies and clothing which have been sent in various proportions to all districts in need throughout China. This entailed a great deal of hard work which has been, and is still being, most efficiently carried out.

### No Quick Solution

It soon became obvious that the refugee problem was not going to be one of quick solution and that great care and discretion in the allocation of funds would be called for. It was also obvious that the Lort Mayor's Fund, splendid as the response had been, could only handle a small portion of the relief work and that the work must be carried on in close conjunction with other charitable organizations in duplication of effort and over-lapping of grants were to be prevented.

In order to make the funds last as long as possible and at the same time to do the greatest good with the money available, the Central Executive Committee decided to work on a budgetary basis. Budgets of the probable needs refugee work in Shanghai and the Treaty Ports were prepared for several months ahead, and allocation of funds made to each centre as far as possible in full accordance with their requirements; by this method it has been possible from the commencement of the fund to date to provide a continual measure of relief for civilian refugees in conjunction with other charitable organizations.

The fund, however, cannot continue indefinitely. It has been open in England now for over nine months and a special effort has just been successfully made to obtain gifts of further medical supplies urgently wanted, a list of which had previously been collected by the Hospitals Committee and sent to London. Sufficient funds have been conserved to carry on relief work in all centres for the next six months after which time it is fervently hoped that the unhappy conditions prevailing amongst the populace of this war-stricken country may have shown signs of improvement.

The opening of the Lord Mayor's Fund was done with no political intent; it was a practical gesture of sympathy with those unfortunates who had been made homeless and helpless through no fault of their own, but simply by the ravages of a war which they did not want and in which they took no part.

Following are the disbursements made by the Committees administering the Lord Mayor's Fund in China, from the commencement in November 1937, to the 31st May, 1938.

For the relief of Chinese refugees, Brit'sh sufferers, international sufferers and contributions to hospitals, $477,180 was allocated for Shanghai; $89,200 for Tientsin; $111,400.28 for Hankow; $13,508.53 for Canton; $41,036 for Tsingtao; $15,000 for Amoy and $1,000 for Swatow. The total of these gifts amounted to $748,224.81.

In addition to the above, Drugs, Medical Supplies and Clothing to the value of about £20,000 sent out by the Lord Mayor's Fund, London Committee, have been distributed to Hospitals in all centres in need throughout China, through the medium of the Hongkong Medical Supplies Control Committee of the Fund.

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## Japanese Reported Using Poison Gas

Poison gas was used by the Japanese troops in an attack on the Chinese defenders on Namoa Island, off Swatow, on August 13, the first anniversary of the Shanghai war, according to Chinese reports.

# Men and Events

An airline connecting Hanoi and Hongkong was opened on August 10.

John M. Allison, Charge d'Affaires at the U. S. Embassy in Nanking, arrived in Shanghai this week on his way to the United States on leave. He will be joined by Mrs. Allison who is now in Tokyo.

The Japanese military authorities ordered the Hangchow Social Affairs Bureau to exercise strict censorship over all programs and scenarios presented at theaters in the city. Failure to observe the regulation will subject those responsible to heavy fines.

Some 20 Japanese newspapermen in Tokyo, who write for English language newspapers or press services, have formed a Tokyo Press Club "for mutual protection." The constitution specified that "only men of ability and character are admitted."

P. Sprouse, recently returned to the Far East from Washington, has been appointed Third Secretary of the American Embassy at Peiping. M. Myers, former Consul-General at Mukden, now in Washington, has been appointed Consul-General at Canton.

Dr. Hu Shih, Dean of the School of Literature of the National Peiping University, who has been lecturing in the United States for several months, has now gone to Great Britain where he has received numerous invitations to talk on problems concerned wtih the present crisis.

O. K. Yui, former Mayor of the Chinese Municipality of Shanghai, who is now director of the Central Trust Company, is shortly making arrangements for refunding the deposits of the former Chinese Municipal Bank which was closed as a result of the hostilities here last fall.

The Brazilian Government, on August 8 expelled an Italian journalist named Cesar Rivelli, from the country because of his alleged connection with the Integralistas uprising, which was unsuccessful. The Brazilian authorities claimed Rivelli was trying to obtain an Italian naval base in Brazil.

The British Government has appointed a Commission to make a survey of higher education in the Straits Settlements, according to a *Reuter* report from London on August 8 stating that the object was to investigate local needs and conditions and possible extensions. The Commission will make a special report on the work of Raffles College.

Thomas C. Britton, son of Mrs. T. C. Britton of Shanghai, was awarded first prize in the oratorical contest at Peddie School, Hightown, New Jersey, where he received his graduation degree in June. Young Britton was awarded honors in athletics, in swimming and soccer and was a member of the student government committee.

The Japanese community in Shanghai held another memorial service for war dead, civilians as well as service men, on Sunday, Aug. 14, at the Japanese school on Range Road. The committee having charge of the service was headed by Consul-General Shinrokuro Hidaka and Masusaburo Amano, President of the Residents' Corporation.

According to the *Hsin Shun Pao*, Japanese paper published in Chinese, the British-American Tobacco Company suffered losses amounting to $6,000,000 in the past year. The report stated that the B.A.T. has been in business in China for more than 50 years and has plants in Shanghai, Tientsin, Liuchuan, Hankow and Tsingtao and produces more than 50 percent of the cigarettes consumed in China.

The new German criminal code, according to *Transocean* report from Berlin on Aug. 11, will contain a provision against "economic treason," the object being to protect German industry and the economic system. Anyone betraying economic secrets to a foreign power, or having obtained the information, for the purpose of transmitting it abroad, will be subject to a penalty of six months imprisonment.

According to a *Transocean* message from London on Aug. 14 the long-discussed Anglo-American commercial treaty will shortly be signed. The *London Observer* was quoted as stating the treaty contained no "surprises" and had no political significance and was only an additional link in the chain of reciprocal trade treaties between the United States and other Powers "sharing the same aims and ideals."

According to a *United Press* report from Peiping the Japanese Army has paid a "solatium" to certain foreign mission bodies in Shantung which had suffered losses from Japanese bombing and shelling during the fighting in Shantung last summer. Sums paid to the missions, according to the Japanese military spokesman, ranged from $1,000 to $6,000. There has been no confirmation of the report from mission sources.

Chiffon stockings guaranteed to be made of "100% pure Chinese Silk" were advertised for sale by department stores in various American cities last month. The Stix, Baer and Fuller Department Store in St. Louis announced in its advertisement that the stockings were "single welt construction and were finer stronger and more elastic than any other brands. They were priced at 89-cts. (U.S.) a pair, the colors being "Cruise Tan, Sunny Beige, Stroller, Sun Nude."

Prof. and Mrs. Donald Roberts of St. John's University have returned to Shanghai after a year's absence spent in the United States and at Honolulu. While in Honolulu, Dr. Roberts taught for 11 months at the Iolani School.

The Italian Government, according to a *Reuter* report from Rome, has issued an order forbidding Italians and foreigners to enter bars and restaurants which serve native Abyssinians. An order to this effect was posted by the Governor of Addis Ababa. The new move is part of the new "racial purity" campaign in Italy and is designed to "preserve the prestige of the white race."

Miss Jane Fang-chen Wu, daughter of Ng Yee-yin, President of the *Chung Sai Yat Po*, leading Chinese paper in San Francisco, was married in Hongkong last week to George Sung-nien Bien, son of Z. S. Bien of the Bank of Tientsin. He is a graduate of Brown University where he majored in chemistry and received the Ph. D. degree. He is now teaching in Kwangsi University. The bride is a graduate of the Peiping Union Medical College where she received the M. D. degree last year.

Dr. Elizabeth Schumpeter of the Harvard Bureau of International Research, in the course of an address before the University of Virginia Institute of Public Affairs on July 12, stated that Japan would be able to continue her war in China for several years even though foreign countries should cut off certain supplies of materials. "But the situation would be different if Japan had to fight a first class power such as Russia simultaneously," she declared, and then added, "but thus far this threat is remote."

Sixteen oil tankers which ply regularly in the U. S. Pacific Coast-Japanese trade, are now lying idle in California ports as a result of the inability of the Japanese Government to pay cash for sufficient oil to fill the tankers . Of the 16 tankers, 4 are tied up at San Francisco and 12 at various Southern California ports. All of the tankers are either Japanese owned or Japanese chartered. California oil producers refused to fill the tankers unless proper credits were forthcoming. Japanese naval tankers had no difficulty in obtaining cargoes as ample funds were available.

Yaemon Minami, millionaire Japanese rancher of Guadalupe California, arrived in Yokohama with his wife on July 31, their first visit to their home country in 20 years. Minami went to the United States 30 years ago and first worked with railway gangs in Utah and Texas. He saved his money and invested in farm land at Guadalupe where he now owns 5,000 acres and employs 350 farm hands, in addition to 500 Mexican and Filipino transients. Minami is rated as the richest Japanese in the United States. He plans to return to California in the fall.

The U. S. War Department, "rejected with regret" an application from the Netherlands Indies for an extension of the K. L. M. Airline from the Netherlands East Indies to the Philippines. The War Board, after careful consideration, ruled that the foreign line "would expose the Philippine Defenses to alien aerial observation." It was, however, reported in other quarters that the real reason for the refusal was the desire not to provide a precedent for the Japanese who have been trying to obtain landing rights in the Philippines and also on the Island of Guam.

The Indian Central Legislative Body at Simla on August 10 refused, by a vote of 71 to 33, an appropriation of £1,000,000 for the modernization of the British Army in India. Those voting against the bill included Hindus and Mohammedans as well as several representatives of British factions. Several speakers severely criticised the bill declaring that if Britain desired to modernize her forces in India the cost should be borne by England. Leaders of the Mohammedans declared that India desired an Indian Army and charged that the British troops were used for imperialistic purposes.

The death occurred on July 7 at Seaside, Oregon of Mrs. J. McW. Jack, mother of J. M., G. A. and L. Jack, well known residents of Hongkong. Mrs. Jack was married in Hongkong in 1887 to the late William Charles Jack, who came to the Far East in 1870 and for many years was chief engineer of the Service Subventionne des Correspondences Fluviales, Tonkin, in which connection he constructed a fleet of river steamers which operated on South China rivers for many years. One of his steamers, the Yunnan, a light draft sternwheeler, was the first boat to navigate the Red River to the Chinese frontier through Tonkin in 1890. In 1898 Mr. Jack became manager of the Hongkong and Whampoa Dock Company and later founded the the firm of Wm. C. Jack and Company, now operated by his son. He assisted in the salvaging of the Spanish fleet which was sunk by Admiral Dewey in the Battle of Manila Bay in 1898.

## Police Official Killed

Loh Liang-kuei, superintendent of the Shanghai Municipal Police, Chinese section, was shot and killed by three gunmen on August 18 while sitting in his car in front of the Central Hotel, Canton road. His chauffuer was badly wounded. The gunmen escaped.

# New Monopolistic Moves by Japan's Trade-Grabbers

Formation of a Yen 8,000,000 Central China Silk Yarn Company, a Sino-Japanese joint stock concern, was completed August 10 when shareholders held their first meeting at the infamous New Asia Hotel, in Shanghai. Of the total capital, Yen 2,000,000 was paid in kind, while half of the remaining cash portion, was paid up.

Placed under the supervision of the "Reformed Government," the new firm will engage in the operation of silk reeling factories in Central China, principally in Wusih, Soochow and Hangchow. Japanese shareholders include the Katakura Silk Reeling Co., the Gunze Silk Reeling Co., the Kanegafuchi Cotton Spinning and Weaving Co., the Mitsubishi, Mitsui and other Japanese interests. Chinese participants in the new enterprise were not revealed.

Secrecy also surrounded the name of the Chinese managing-director of the firm, *Domei* reported. His Japanese colleague is Kakusaburo Suzuki, director of the Central China Silk Yarn Industry Guild.

A new shipping company to control Japanese shipping service on the Japan Sea is being planned by the Dairen Kisen Kaisha, the Chosen Yusen Kaisha and the North Japan Steamship Company, *Domei* also reported on August 13. The new concern is expected to be formed toward the end of the year. The company will be capitalized at Yen 30,000,000. Freight rates over the Rashin-Hsinking Railway will be lowered by the South Manchuria Railway Company.

### Linking System Planned

As the result of studies being made by the Japanese traders in Tientsin relating to the promotion of the foreign trade of North China, the general linking system in the trade transactions with the third countries has been decided to be adopted, effective in the very near future.

Upon the inauguration of the "Federal Reserve Bank of China" in March, this year, all the Chinese banks in North China have become members of this national bank with the result that the sales of foreign currency have been completely supended, the *Nichi-Nichi* reports. Consequently, the trade activities of both the Japanese and foreign traders with the third countries have been completely stopped. The foreign traders, however, have managed to acquire the foreign currency by means of their own exports and have gained big profits in trade with third countries.

Because of the drastic fall of old legal notes, the exchange dumping was invited with the result that the export bills have been increasingly concentrated in the hands of diplomatic circles and the foreign banks. So far, some Yen 10,000,000 worth of exchange bills are believed to have been accumulated by those quarters. The Japanese traders in Tientsin, engrossed in the trade with Japan, have had the wheat flour market and others, in which they were dominant in the past, completely taken by the foreign traders.

In view of the dark future in case the present situation continues, the Japanese traders have decided to adopt the general linking system. Under the circumstances, the Federal Reserve Bank is expected to make positive accommodation of funds for purchasing the special native products of China, and will start the exchange business by co-operation of the Bank of Chosen in the near future.

By the operation of the linking system, the outflow of the North China native products by foreign merchants will be completely checked and the soundness of the North China currency will be further enhenced, the *Nichi-Nichi* said. The North China "Government" authorities are also considering the adoption of the export-import licensing system with the object of exercising a certain limit of commodities of the third countries handled by the foreign merchants which North China may not immediately require and which may threaten to cause a dumping, or the commodities whose exports, although permitted under the linking system, may threaten the life of the agricultural community in North China.

### Monopoly Shares Oversubscribed

The allotments of the shares of the North China Development Company and the Central China Promotion Company to the large-sized subscribers were conducted smoothly some time ago. Acceptance of private subscriptions to the shares of the two companies which started on August 3 has progressed favorably, the shares subscribed to already exceeding the original number of shares opened to public subscription, Tokyo newspapers report.

The two companies opened some 450,000 shares (10 per cent of the total of 4,500,000 shares of the two companies), of which the Soldiers' Aid Society has subscribed to 130,000 shares. With priority given to the 130,000 shares, only 320,000 shares were left open to public subscription on the first day. The first day had a total subscription to 560,000 shares, far exceeding the total number available.

### Manchurian Wool to Be Exported to Germany

The German Government, desirous of handling wool by the terms of the revised "Manchukuo"-Germany Trade Agreement, officially proposed to the "Manchukuo" Government, through the German trade representation in "Manchukuo," to add wool to the list of commodities to be exported to Germany by the trade agreement. The German side apparently desires to get about 500,000—1,000,000 kin of wool, worth Yen 500,000—Yen 1,000,000, from "Manchukuo" during this year.

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## CUSTOMS NOTIFICATION No. 1630.

The public is hereby notified that the Custom House will be closed, and the shipment and delivery of cargo suspended, on Saturday, the 27th August 1938, the birthday of Confucius.

L. H. LAWFORD,
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, 16th August 1938.

**Hot, Isn't It!**

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# New Books of Interest in the Far East

## Old Morals for New

*The New Culture in China—Lancelot Forster, with introduction by Sir Michael B. Sadler: George Allen and Unwin, Ltd., London.*

Simplicity and clarity of style; general precision of judgment which obviously comes of keen observation and scientific training; an honest attempt at impartiality of view which, as is characteristic of an English university professor, has resulted in an overemphasis of moral issues and in a denunciation of radicalism or communism—these are the main features of The New Culture in China by Lancelot Forster, Professor of Education in the University of Hongkong, published in 1936.

A very instructive and enlightening book, no doubt. But in places it has suffered somewhat from an apparent overestimation, on the part of the author, of the influence generated by the teachings of ancient sages. As a matter of fact, with the exception of Confucius and Mencius, the doctrines of men like Lao Tsu have never been more than hazily understood even by the generality of scholars in China, and have never been taken seriously by anybody, not even by those who claim to have grasped the inner meaning of suth obscure texts. Apart from the Confucian rules of conduct more or less forced upon the people by the imperial Court, even the two canonized philosophers, Confucius and Mencius, have never been taken seriously, although, strange to say, they have always been nighly respected. "While his parents are alive a son should not dare to consider his wealth his own, nor hold it for his own use only" as quoted in The New Culture in China from the classical book, Li Ki, seems to have made as little impression upon the Chinese mind as Christ's assertion that "whosoever looketh on a woman to lust after her hath committed adultery with her already in his heart" or Solomon's proverb "Wine is a mocker, strong drink is raging: and whosoever is deceived thereby is not wise," has made upon the Western mentality.

Without minimizing the importance of moral influence, it may stated with truth that the moral decadence in China, as described in the book by the author, is not the only thing which stands in the way of China's regeneration; the moral issue is of far less consequence than such factors as economic exploitation and political oppression from without.

The purely propagandist nature assigned to the San Min Ch I (Three People's Principles) by Professor Forster, would seem to be a common optical illusion visible only through the spectacles of British bourgeoisie, in China, while the strong abhorrence of communism or radicalsim expressed by him in connection with Chinese nationalsim, is an indication bordering perilously on a sympton of diehardism.

Yet it must be admitted that on the whole the New Culture in China is one of the rarest examples of honest endeavor at detached and impartial analysis of facts. Its author appears to know the leading Chinese scholar and philosopher Dr. Hu Shih very well, which fact, if true, alone lends considerable authority to his book, especially to the Chapter on Mass Education Movement.

Y.B.

## Recent Pamphlets Received

Among the many pamphlets and digests recently received by the *China Weekly Review* are the following:

*The Impossibility of War Risk Insurance*, a paper read before the Insurance Institute of London by Sir William P. Elderton, and published by the Cambridge University Press at sixpence a copy, tells the readers that insurance companies have no intention of issuing policies to cover war risk. One reason for such impossibility is inability to calculate a premium; another change in valuation of reserves during and after a war. The tremendous uninsurable loss in Shanghai and China during the past year receives emphasis.

*World Christianity, a Digest*, third quarter, 1938, includes several articles on the Christian Church in China and War Relief, in addition to the usual attempt to give a comprehensive view of the current state of Christiantity in the world.

The Foreign Policy Association Reports for June are devoted to Russia. One tells of *Industry and Agricultance in the U.S.S.R.*, the other of *Labor and Management in the U.S.S.R.* The reports are carefully and objectively prepared by Vera Micheles Dean.

*Our World Trade in 1937*, a report of the Chamber of Commerce of the United States, gives the value and volume of the principal exports and imports between the United States and the chief foreign markets. China ranked 17th as buyer, 11th as seller; Japan 3rd. as buyer, 4th. as seller.

*Public Relations Industry's No. 1 Job*, a speech delivered by Paul W. Garrett before the American Association of Advertising Agencies, has been printed.

Norman Thomas writes for the League for Industrial Democracy a pamphlet, *Democracy Versus Dictatorship* in which he gives the advantages and disadvantages of each as a method of government. He does not think a new World War will arise primarily out of the issue, but instead between the "Houses of Have and Have Not."

*The Hull Trade Program and the American System*, by Raymond Leslie Buell is a World Affairs Pamphlet, published by the Foreign Policy Association. The program believes the trend toward a new world war and the depression can be checked only by nations accepting the principle of economic interdependence.

*The Puzzle of Palestine* by David H. Popper, is a headline book of the Foreign Policy Association. The platforms and issues of the three faiths and three peoples of Palestine, together with an explanation of the British Interest in Palestine, are set down to aid people to come to an understanding of the present war now raging in the Holy Land.

*Synthese du Conflit du Petrole au Mexique* par Mauricio Fresco, former consul in Shanghai, gives the Mexican side of the oil controversy. M. Fresco holds that Mexico cannot take her rightful place in the family of nations if her oil and mining rights are entirely in the hands of foreign capitalists, especially since the economic independence of the country rests chiefly on these two resources. Therefore, they must become Mexican.

*New China Monthly*, edited by Lin Chia-min in Hongkong, has been received, as well as reports of the Brussels conference, published by the Press Bureau of the Chinese Delegation to the Nine Power Conference.

The articles in *New China* are designed to present the Chinese side of the present hostilities, chiefly through translations of radio addresses made by governmental leaders, including Generalissimo Chiang Kai-shek, Dr. Sun Fo, General Li Tsung-jen, Mr. Wang Ching-wei. It is immeasurably superior to the average run of Japanese propaganda efforts in English. The make-up and type face could be improved.

Two reports of the Nine Power Conference have been printed, containing the speeches delivered by H.E.V.K. Wellington Koo and by the representatives of other powers, the articles of the Nine Power Treaty of 1922 and the report of the Brussels Conference as adopted on November 24th, 1937. The title of the pamphlets is *Japanese Aggression and the Nine Power conference at Brussels*, I and II. They are valuable historical documents to the student of Far Eastern and International Relations.

*The crisis in the Far East, 1931-1937*, by Wunsz King was also published in Brussels. The plan of the pamphlet is to show how the development of the crisis in the Far East in the last six year has been brought about by the continuous Japanese aggression against China. It is written in a fairly objective manner, though at times the author's emotions gain the better of him and he makes statements not borne out by neutral observers. A fairly comprehensive table of dates on which armed Japanese forces occupied Chinese towns and districts is included, as is a table of Japan's disregard of international rules prohibiting the killing of non-combatants.

M. V.

## When Dr. Wang Interpreted for a Prestidigitator

*(Toronto Star—Weekly)*

Lawrence G. Blochman, whose new mystery, "Midnight Sailing," will soon be published by Harcourt, Brace and Co. (Geo. J. McLeod, Toronto), was at one time in his many-sided career a barnstorming sleight-of-hand performer in China. He tells a story of himself, of being asked to entertain the Shanghai Y.M.C.A. He protested that his powers of mystification were linked closely to the bad puns and far-fetched humor of his patter, and that performing before an all-Chinese audience not understanding the patter would be a little like appearing without his pants. There-upon an interpreter was provided, a slim, distinguished, scholarly Chinese gentleman, who must have translated Blochman's lines accurately, for the audience laughed in the right places. But the distinguished interpreter laughed not at all. Very solemn, perhaps bored by the whole business, he may have been wondering if interpreting a prestidigitator's jokes were proper training for a future ambassador to Washington. For he was none other than Dr. C. T. Wang.

## Not Recommended for Japanese

*Japan's Gamble in China, by Freda Utley, Published by Secker and Warburg, 22 Essex Strand, W. C. 2, London. 6 s. net.*

Miss Freda Utley gained a wide reputation with her former book, *Japan's Feet of Clay*, in which she sought to show that Japan's military strength for economic reasons is much less than generally supposed. Now she supports her former thesis in her latest volume, *Japan's Gamble in China*, in which she discusses Japan's so-called over-population problem, analyses Japan's economic and social structure, comments upon the various roles of the army, navy, the Diet, the big family trusts, and the poverty of the peasants and the lower middle classes. With the picture of Japan, Miss Utley contrasts the growth of Chinese unity under Generalissimo Chiang Kai-shek and the remarkable possibili-

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# In the United States Court for China

In the matter of the change of name of MRS. THERESA KOWALSKI

Cause No. 4346
Special Proceeding No. 2225
NOTICE
Filed at Shanghai, China this 17th day of August, 1938.
WILLIAM T. COLLINS Clerk.

NOTICE

Notice is hereby given that Mrs. Theresa Kowalski, an American citizen residing in China, has filed her petition in this Court praying for authority to change her name to Mrs. Theresa Kowles.

Any person interested may, on or before September 4, 1938, offer and show to said Court why the said petition should not be granted.

WILLIAM T. COLLINS, Clerk
United States Court for China

# In the United States Court for China

In the matter of the change of name of ALEXANDER G. KOWALSKI

Cause No. 4347
Special Proceeding No. 2226
NOTICE
Filed at Shanghai, China this 17th day of August, 1938.
WILLIAM T. COLLINS Clerk.

NOTICE

Notice is hereby given that Alexander G. Kowalski, an American citizen residing in China, has filed his petition in this Court praying for authority to change his name to Alexander G. Kowles.

Any person interested may, on or before September 4, 1938 offer and show to said Court why the said petition should not be granted.

WILLIAM T. COLLINS, Clerk
United States Court for China

ties of development that lie before China. She also exposes Japan's role in the drug traffic in China, makes a study of the roles played by Germany and Great Britain in the Far East—the author's opinion of the statemanship of her own country is far from flattering, and urges the probable success of economic sanction against Japan if applied by the British Empire, Holland and the United States of America. It is a book well worth reading by Chinese but it is not recommended to Japanese readers. P. B. J.

## Eugene Chen Says Hankow Must Be Held

Extreme importance of Hankow as heart of the Chinese resistance to the Japanese was emphasized by the former Chinese Foreign Minister, Eugene Chen, in an open letter published this week in the *Sunday Herald* of Hongkong in connection with the anniversary of the outbreak of the Sino-Japanese hostilities.

Hankow must be held at all costs, Chen wrote, because it is the last foothold of the Chinese Government. The fall of Hankow would mean considerably more than the fall of Peiping, Tientsin Hsuchow and Nanking. For even if after the fall of Hankow the Chinese Government could withdraw into the interior of the country, the presence of the Japanese army would make this government dependent on Japan. Chen called Hankow a "second Verdun" and demanded that it be strengthened in the same way as Verdun.

Besides that, he wrote, the support of Soviet Russia is necessary. The Changkufeng incident is a symbolical proof of the militray strength which the Soviet Union has at its disposal, continued Chen who demanded that in order to obtain far-reaching help from Soviet Russia all elements in China that have acted as traitors, for instance those who today sit in the governments of Peiping, Nanking and Shanghai, should be "liquidated."

## Bus and Shipping Firms to Meet at Soochow

Questions concerning the resumption of business by long distance bus companies and inland river shipping firms in Kiangsu Province will be discussed at a meeting of representatives of these firms to be held at the Soochow Chamber of Commerce on Sept. 15 under the auspices of the Kiangsu Provincial Government, *Domei* reported. Decisions which will hasten the restoration of land and water communications in Kiangsu are expected to be reached at the forthcoming meeting, the reports stated.

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# In the United States Court for China

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|---|---|
| In the matter of the change of name of: RAYMOND A. KOWALSKI | Cause No. 4348<br>Special Proceeding No. 2227<br>NOTICE<br>Field at Shanghai, China this 17th day of August, 1938.<br>WILLIAM T. COLLINS Clerk |

NOTICE

Notice is hereby given that Raymond A. Kowalski, an American citizen residing in China, has filed his petition in this Court praying for authority to change his name to Raymond A. Kowles.

Any person interested may, on or before September 4, 1938, offer and show to said Court why the said petition should not be granted.

WILLIAM T. COLLINS, Clerk

# In the United States Court for China

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|---|---|
| In the matter of the change of name of: REGINA BRIDGET KOWALSKI | Cause No. 4350<br>Special Proceeding No. 2229<br>NOTICE<br>Filed at Shanghai, China this 18 day of August, 1938.<br>WILLIAM T. COLLINS Clerk. |

NOTICE

Notice is hereby given that Regina Bridget Kowalski, an American citizen residing in China, has filed her petition in this Court praying for authority to change her name to Regina Bridget Kowles.

Any person interested may, on or before September 4, 1938 offer and show to said Court why the said petition should not be granted.

WILLIAM T. COLLINS, Clerk
United States Court for China

# In the United States Court for China

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| In the matter of the change of name of: AGNES APPOLUNIA KOWALSKI | Cause No. 4349<br>Special Proceeding No. 2228<br>NOTICE<br>Filed at Shanghai, China this 18 day of August, 1938.<br>WILLIAM T. COLLINS Clerk. |

NOTICE

Notice is hereby given that Agnes Appolunia Kowalski, an American citizen residing in China, has filed her petition in this Court praying for authority to change her name to Agnes Appolunia Kowles.

Any person interested may, on or before September 4, 1938 offer and show to said Court why the said petition should not be granted.

WILLIAM T. COLLINS, Clerk
United States Court for China

## TO OUR SUBSCRIBERS IN AREAS OF MILITARY ACTIVITY

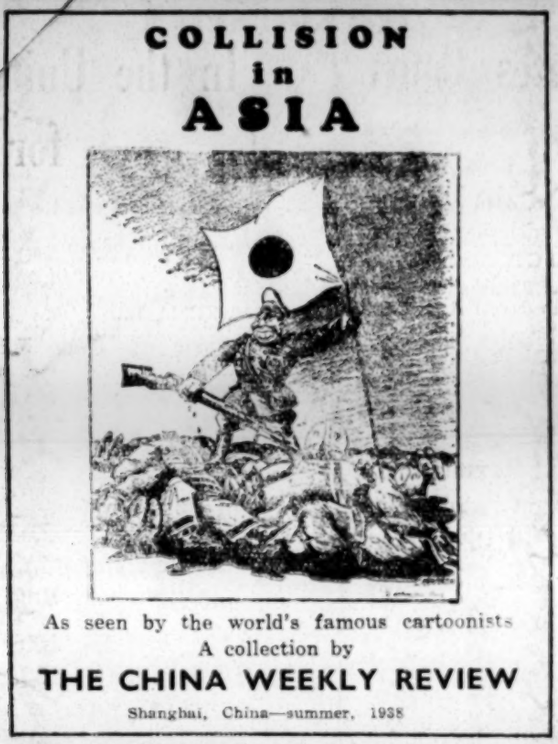
Hundreds of subscribers, who were forced to leave their homes because of the war situation, have been unable to return and in many instances, have been compelled to establish temporary or permanent residences elsewhere.

As a result they have been unable to receive copies of **The Review** mailed to their normal addresses.

In all cases these back copies have been retained in the office pending receipt of instructions as to new addresses.

Subscribers would thus confer a favor if they would notify this office of their present addresses, with instructions as to methods of routing the paper so as to assure delivery, particularly in Central, West and Northwest China. Mail deliveries between Shanghai and such points as Hankow now require a minimum of 8 to 10 days.

# SHANGHAI IS STILL APPLAUDING

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What Critics are Saying About

## COLLISION IN ASIA

### *THE CHINA PRESS:*

"'A Picture is worth ten thousand words," says a moss-covered Chinese proverb. Still more potent in moulding public opinion is a cartoon, whose sarcasm and irony pierce sham and pretense. Seldom has then been truer than in the collection of cartoons on the Sino-Japanese war just published by the *China Weekly Review*. From the first page to the last, the booklet bristles with irony, 99 per cent of it aimed at Nippon's claims, protestations and methods.

A quick glance through the booklet will at once show why the American public mind has been so markedly inimical to Nippon's latest "crusade" on the mainland. Where an erudite article would have failed, the cartoonist manages to expose and lambast Nippon's favorite stereotypes—"War to establish lasting peace in the Far East," "Japan is the chief stabilizing force in the Orient," "Holy Mission to exterminate the menace of Communism in China," Protection of Western Civilization from Bolshevism," and the like.

"Through the 82 cartoons of the book, the Japanese soldier kills, maims, and destroys, while his diplomats strew excuses in his trail. Many cartoons play up Tokyo's folly of hoping to strangle a country of China's size, population and recuperative power....."——G., in the *China Press*.

### *SHANGHAI EVENING POST & MERCURY:*

"Collision in Asia is the title of a collection of newspaper cartoons bearing on the Sino-Japanese hostilities during the past year which has just been published here by the *China Weekly Review*. The war is viewed in this red-covered booklet through the eyes of the world's famous cartoonists in 28 pages of pictures interpersed with a few lighter verses on the conflict. The cartoons are taken from 23 American metropolitan newspapers, three American magazines, 14 British newspapers, one British magazine, one English-language paper in Shanghai and two Chinese papers.

"In the entire collection, it is noteworthy that there is not a single cartoon in direct praise or sympathy with Japan. Most of them support the Chinese cause and condemn Japanese action in Asia. Several are chiefly concerned with Japan's action as it affects foreign lives and property. A few rap foreign intervention or side-taking, and demand that America and the West stay out of the conflict entirely. These cartoons graphically depict the hostilities in China and from the long-range viewpoint of the West."—LaSelle Gilman, in the *Shanghai Evening Post & Mercury*.

### *THE MORNING LEADER:*

"The *China Weekly Review* has just published a volume of cartoons—a collection from various foreign and Chinese newspapers concerning the war—entitled "Collision in Asia." All the cartoons are not only striking to the eye, but full of biting sarcasm and bitter humor....."

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